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# FINANCIAL TIMES

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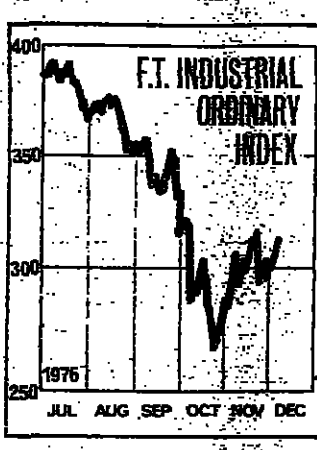


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## NEWS SUMMARY

**GENERAL**  
**Nato losing out to Soviets'**  
Nato is losing out to the Soviets, according to a report by Sir Peter Hill-Norton, chairman of the NATO military committee, yesterday delivered at a meeting in Brussels. He said NATO was losing out in three years' time, and that the balance between East and West was tilting in favour of the Warsaw Pact.

**BUSINESS**  
**Equities up 9.7; gold down \$1**  
Equities improved and there was a modest increase in turnover. The FT 30 share index rose 9.7 to 319.8 while the All-Share gained 1.8 per cent to 137.04. The gold price fell 1.5 per cent to \$175.15.



## Big banks impose strict restraint on new lending

BY MICHAEL BLANDEN

Strict restraint on new lending is being imposed by the big banks to bring their growth back into line with official controls after a further substantial increase last month.

The latest figures from the banks show that in mid-November they were well above the ceiling set for their expansion under the so-called corset controls reintroduced last month. They are now being asked to bring their growth back into line with the controls.

The impact on money supply last month may have been substantially offset though by the considerable volume of official sales of gilt-edged stocks. At present, the signs are that the Government's action is having the desired effect in bringing the growth of money supply back into line with the 12 per cent target for the current financial year.

The latest growth in lending took place before the controls were imposed. The banking month ended on November 17, the day before the announcement of the corset.

During the four weeks to that date, London clearing banks increased their sterling lending to the U.K. private sector by £71m. After allowing for normal seasonal influences, however, the underlying rise was probably about £200m.

This was in line with the trend over recent months and appears to have reflected a number of factors in a rather exceptional period.

The rise in lending was concentrated in the manufacturing sector—and one factor causing the increase appears to have been the banking sector's main deposit funds and an im-

## £500m. new 'tap' stock issued

BY KENNETH RANDALL

CANBERRA, Dec. 7.

THE AUSTRALIAN business and financial community has been thrown into turmoil by the Government's decision to-day to announce only 10 days ago, and to charge a wide—although vaguely-defined—range of tariffs on imports.

The Government was able to offer only the most generalised explanations of both decisions. The reaction of a wide section of business was summed up in a message late to-day to Mr. Malcolm Fraser, the Prime Minister, from Mr. Max Dillon, president of the Associated Chambers of Manufacturers of Australia.

"Manufacturing industry," said Mr. Dillon, "is bewildered by the Government's decision to revalue the Australian dollar by 2 per cent after the sudden, massive 17.5 per cent devaluation announced on November 28."

The fact that the Government has not made any firm commitment on protection levels for Australian industry is adding to the confusion. Although the Government did make a long statement on protection levels a few hours later, it appears to have done little to reduce the confusion.

The latest variation in the exchange rate was recommended to the Government yesterday by a group of senior advisers in line with the new policy that there should be "more frequent and smaller shifts" in parties to make the exchange rate "more flexible."

The group comprises Mr. Harry Knight, Governor of the Reserve Bank, Sir Frederick Wheeler, the Treasury Secretary, and Mr. Allan Carmody, secretary of the Prime Minister's department.

Government officials to-day reported that the resumption of capital inflow in the first week after devaluation had been in the order of \$200m, suggesting the need for immediate discouragement if the flow was not to become a flood.

The terms of the new stock issue, in line with the market, were taken to confirm the view that any significant move must now wait until after the package. The stock is a further £500m. tranche of 154 per cent Treasury loan dated 1988. At an issue price of 99 per cent it yields 15.66 per cent flat and 15.67 per cent to redemption.

The news dampened the gilt-edged market, where significant official sales of the medium and short stocks held by the authorities were reported. At the close, the Financial Times Government Securities Index was 0.01 down at 58.56.

Mr. James Callaghan went out of his way in the Commons to stress that no soft options were available to the Government as it sought to reduce the size of the public sector borrowing requirement.

No matter what decisions were taken by the cabinet, the Prime Minister declared, there would be no escape from this, the Prime Minister declared.

Mr. Callaghan rejected a Left-wing claim that "savage and deflationary economic policies" were now in prospect, but he immediately entered a caveat that everything depended on the definition of "savage."

He had told the country within hours of his election as party leader that the Government would be a "savage" one.

Continued on Back Page

## Revaluation confuses Australians

BY KENNETH RANDALL

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Continued on Back Page

## With sticks to lessinger plan

Mr. Ian Smith, Rhodesian Prime Minister, who is due to resume a seat at the Geneva talks this morning, said before leaving Lusitania that he still aimed to achieve the Kissinging plan implemented in London, soliciting for Mr. Robert Mugabe, the Rhodesian nationalist, issued a written statement, against the Rhodesian press and Mr. James Callaghan in respect of allegations in an October 29 article in the Daily Express.

## Heath hints Tories

Mr. Edward Heath's rebellious declaration that he would not support the Shadow Cabinet's opposition to the Government's devaluation Bill drew fire yesterday from Tory MPs. Back in the Commons, Mr. Heath said he was not a Tory.

## roadmoor hunt

A male patient, aged 53, who had been sent to Broadmoor after being convicted of attempted murder and arson, was being hunted last night after escaping from a working party at the hospital grounds. At the hospital, the patient was seen by two patients who broke into a room and stole a car. A last week, 60 nursing officers, armed about a more liberal regime at the hospital, picked up the patient.

## EC attack

A hard hitting attack on the EC Governments to prevent the recommendations of the Commission's report on the Common Agricultural Policy is being made in a London speech which was read last night for Leon Tindemans, Belgian Minister, in his absence. Page 4

## liki may go

Takeo Miki has decided to withdraw from the Japanese leadership, according to the newspaper, Yomiuri Shimbun, which said the Liberal Democratic Party may meet towards the end of the month to select a new leader. Back Page

## 25,000 reward

Clays Bank is offering a reward of up to £25,000 in connection with Tuesday's raid on South Woodford Branch. Page 1

## riefly

There was without newspapers for the third time in five days because of a printers' strike. Page 4. Giscard's troubles. Page 1. Kurt Waldheim has been rejected UN Secretary-General. Page 5. Lord Britten, the composer, was died at Aldeburgh, Suffolk. Page 1. The postmen have called off their overtime ban. Page 1.

## Chief price changes yesterday

Prices in pence unless otherwise indicated		
10 Gas	300	+23
Kelley Inds.	49	+7
Lains (J.) "A"	82	+5
Lains Inds.	186	+11
Marks and Spencer	57	+4
Martin's Newsagents	90	+8
May and Hassell	52	+10
Myddleton Hotels	67	+5
NSS Newsagents	48	+5
Ozark	66	+5
Pilkington	276	+7
Pleasley	52	+4
Royal Insurance	232	+12
Stone-Plant	57	+5
Union Discount	375	+12
Woolsey-Tugbue	47	+7
Shell Transport	420	+6
Middle Wills	225	+10
Pemberton	73	+25
FT SURVEY		
Chapman (Batham)	65	+10
BP	708	+14

## Healey hint on sterling balances lifts pound

BY RICHARD EVANS AND PETER RIDDELL

THE POUND rose by nearly two cents yesterday afternoon after a statement by Mr. Denis Healey, the Chancellor of the Exchequer, that he hoped the details of the £400m. package would be resolved until next year.

It is understood that the Government is considering a multilateral facility on which Britain would draw if the sterling balances fell below a certain level while repayment would be in the medium term.

The threat to the pound from the potential withdrawal of the sterling balances was underlined yesterday in the third quarter balance of payments figures. These show a drop of £355m. to £2,766m. in the official holdings in the period. This compares with a peak of £4,800m. in early 1975.

The increased possibility of a safety net arrangement for the balances was sufficient to reverse an early decline in sterling yesterday so that the pound closed a net 1.45 cents higher on the day at \$1.6715.

The trade-weighted depreciation narrowed to 44.6 per cent from 45.4 per cent. During the day, as the Cabinet continued its discussions on the ingredients of the economic package, Labour MPs were warned to prepare for painful public spending cuts.

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Continued on Back Page

## Oil, gas reserves 'worth £300bn'

BY RAY DAFTER IN BIRMINGHAM

BRITAIN'S oil and gas reserves could be worth more than £300bn. at current energy prices, according to the latest Government estimates. The Government also forecasts that in 1980, output of North Sea oil alone will improve the total balance of payments by over 8 per cent of Gross National Product.

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Britain's medium-term foreign currency borrowings would fall due for repayment	
North Sea oil and gas must be used to square the country's accounts with the world, but he said it was wrong to assume that the resources were mortgaged up to the hilt	
"The huge value of our oil and gas reserves cover to-day's overseas debts many, many times over"	
"Those who have been taking a jaundiced view of the British economy should perhaps do two things: analyse the value of our oil and gas reserves more carefully and take note of the strong economic position which our self-sufficiency in energy will give us in the 1980s"	
The net oil import bill, running at £10m. a day at present, would be rapidly reduced over the next three years	
Dr. Mabon's optimistic predictions were tempered by Mr. David Steel, chairman of British Petroleum, a major North Sea operator	
He said that in order to encourage the maximum exploitation of reserves the Government must recognise the need for a stable political and fiscal climate	







by CHRIS DUNKLEY



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## EUROPEAN NEWS

## USSR reduces growth in trade deficit with West

BY DAVID SATTER

MOSCOW, Dec. 7.

THE SOVIET Union is continuing to reduce the rate at which its trade deficit with hard-currency areas of the West is expanding, and appears to be bringing its foreign debt problem under control.

Official Soviet trade statistics show that the Soviet deficit in trade with the West increased by only Roubles282m. (\$228.42m.) during the third quarter of 1976, compared with an increase of Roubles388m. (\$320.6m.) during the third quarter of 1975.

This year's third quarter deficit with the West brings the USSR's total deficit with the developed capitalist countries to Roubles5,522m. for the first nine months of 1976, compared to a deficit of Roubles5,371.8m. for the first nine months of 1975, but 52 per cent.

months of 1975, but 52 per cent. of the 1976 deficit was accounted for by the year's first quarter, when the deficit was 2,064m. roubles (\$1,672m.)

The USSR had a trade surplus of \$21m. roubles (\$222m.) with the socialist countries during the first nine months of 1976, compared with a surplus of 267.8m. roubles (\$232.2m.) for the comparable period last year, and a surplus with Third World countries of 458m. roubles (\$371m.) during the first nine months of 1976 compared with a surplus of only 18.1m. roubles (\$15.5m.) during the comparable period of 1975.

The brighter Soviet trade outlook reflected in these latest figures is being attributed to the USSR's ability to put a tight hold on imports of manufactured goods, while expanding their exports of raw materials, particularly fuels.

A large portion of this year's deficit with the West was unavoidable—40 per cent. of this year's trade deficit is the cost of imported U.S. wheat, and the Soviet Union has also had to import large quantities of wheat from Canada and Australia because of the disastrous 1975 grain harvest.

With this year's good harvest, however, wheat imports are expected to decline, while the prospects for increased exports of raw materials should continue to improve.

next year, is indicated by the fact that the talks are being attended by all three top Soviet leaders, to-day amid signs that he still has no intention of relaxing his objections to any Middle East peace formula which implies as well as by Soviet Foreign Minister Andrei Gromyko.

In addition to the general Middle East situation Colonel Khedafi is believed to be discussing the purchase of Soviet arms and Libya's relations with Egypt.

At a news conference here, his first-ever for the Western Press, Mr. Kadar was asked whether he agreed with this view. He answered curtly: "I do not share this opinion." However, he did not elaborate.

It must be added that the questioner referred to an opinion expressed by a Czechoslovak paper but omitted that he was considering Mr. Zhivkov's article in the December issue of the International Communist monthly, Problems of Peace and Socialism, which is printed in Prague but published under the auspices of an editorial board composed of the representatives of 51 Communist parties.

Mr. Kadar, speaking freely and visibly at ease even when dealing with ticklish questions, said that Communists and

Socialists in power could and should co-operate in the interest of security and peace in Europe, regardless of their ideological differences.

He said that even though his host, Austrian Chancellor Bruno Kreisky, was a Social Democrat, who in a recent article stated that "Euro-Communism was a new form of anti-Sovietism."

Relations between Socialists and Communists were not "simple," he said, but added that the Hungarian Communists Party also had contacts with Socialist parties not in government, such as the Socialist parties in Italy, France, Finland and Belgium.

With regard to Soviet troops stationed in Hungary, Mr. Kadar said the matter was connected with the East-West military strategic balance. Soviet forces "temporarily stationed" in Hungary were not there for domestic political reasons nor because of fear of an attack by Hungary's neighbours.

He stressed referring to the latest disarmament proposals put forward by the Warsaw Pact.

Mr. Kadar confirmed that he was planning to visit West Germany as part of political normalisation of relations between the two countries.

Stressing Hungary's lack of power and fuel resources and the fact that foreign trade accounted for 45 per cent. of the Hungarian GNP.

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## Khedafi's Moscow talks

BY OUR OWN CORRESPONDENT MOSCOW, Dec. 7.

THE LIBYAN leader, Colonel Khedafi, began his second day of talks with top Kremlin leaders, to-day amid signs that he still has no intention of relaxing his objections to any Middle East peace formula which implies as well as by Soviet Foreign Minister Andrei Gromyko.

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## Gaullists protest at printers' expulsion

By Robert Mathew

PARIS, Dec. 7.

FRANCE WAS without newspapers to-day for the third time in five days as the result of a printers' strike in protest against the expulsion by police last Sunday of workers who had been staging a "sit in" at the Parisian Libération paper for the past 20 months.

The police action has provoked strong protests from the Gaullist Party, reports of whose important rally at the week-end failed to appear in the Press because of the strike, as well as from journalists and the major Left-wing trade unions.

A mass protest march through the centre of Paris yesterday was led by all the Left-wing union leaders, who threatened further industrial action if the dispute was not settled to their satisfaction.

Prime Minister Raymond Barre went on TV last night to deny widespread charges that the Government had deliberately carried out the eviction on the very day that former Premier Mr. Jacques Chirac was elected.

President of a revamped Gaullist Party because it knew that the printers would immediately down tools.

Talks sponsored by the Government to settle the dispute began yesterday when the Labour Minister, M. Christian Baudouin, saw the owner of the Parisian Libération, M. Emile Amaury, for 40 minutes.

To-day it was the turn of the union representatives to put their case to the Minister.

The trouble has come from a not unexpected quarter—the Rassemblement Wallon, which since it lost three Ministers who deserted it two weeks ago to form a new party in the coalition, has been demanding that its under-representation in the Government be redressed.

Mr. Tindemans secretly agreed last week to a reshuffle, provided his hands were left free on the exact means. But following its week-end congress, the RW has demanded that Prof. François Perin—one of the RW's founders and now one of its chief "deserters"—be dismissed and replaced by one of its men.

The RW has also demanded that the Government give a "much stronger push to the Community dialogue," the talks that opened last week to consider reform of the country's French-Flemish structures. So far Mr. Tindemans has painstakingly tried to stay aloof from the talks.

The RW, which with 10 deputies left in the Lower House still has enough power to bring

down the Government, has set inside his coalition has led Mr. Leo Tindemans to cancel his trip to London to-night to deliver a speech to the Foreign Affairs Club. The Belgian Prime Minister's absence because of domestic political developments, by Victor Etienne Duvignau, shortly to become Belgian member of the Brussels Commission

of the citizen, and more authoritative and efficient EEC institutions. But the conclusions of the Foreign Ministers' study of the concrete suggestions in his report have been "more than disappointing. Several proposals were discarded because there was no agreement, others were described as premature. Among those which were considered positively, many have been so edged about with provisos and qualifications they have lost much of their value," he declared.

Mr. Tindemans said that the idea of "innovation a new start, the qualitative leap forward," which can be found explicitly or implicitly in every page of my report," had almost disappeared from the final document submitted last week to the Hague council of Common Market leaders.

But the Belgian leader rejected the suggestion that the Hague summit had buried his report. "In fact, the programme is accepted, but its implementation will have to wait for better days," he said.

There was standing room only in this ancient gothic building in the heart of the old town which has become the bastion of the Polish Catholic Church's struggle for survival in Communist Poland. Men and women of all ages crammed the seats, and were mostly nuns and old women wrapped in thick peasant shawls.

Up in the sanctuary a throng of richly robed bishops and priests conducted the evening Eucharist flanked by a choir of monks; on a high gothic throne beside the altar sat the small but unmistakable figure of the Cardinal in his scarlet robes and cap.

The sermon came early in the service. The Cardinal moved slowly down to the heavy wooden pulpit which stands halfway along the nave. He climbed the steps, gave a blessing, and turned his sharp, bespectacled features on the crowd below.

His sermon lasted no less than 50 minutes. But this is average for the performance Wyszyński has been giving weekly since Poland plunged into its crisis last summer. The Cardinal has since won a reputation for the simple but firm gestures of the arms in their lace encrusted sleeves.

He began calmly on the theme of St. Francis. But gradually he moved up to a booming climax and he applied his text to the present-day situation in Poland.

There was a need for more love and less materialism he declared. And in his sharpest attack to date on the authorities handling of last June's food price riots, he condemned police brutality and revealed that he had received dozens of letters from workers who claimed to have been victimised for their protest action.

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## Official figures spell out low Spanish economic growth

BY ROGER MATTHEWS

MADRID, Dec. 7.

THE GROWTH in Spain's Gross National Product this year will be less than 2 per cent. in real terms, according to estimates just released by the Institute of Statistics. The latest Ministry of Industry survey of business opinion reports, meanwhile, a further decline in industrial activity during October and a rise in stock levels due to a weakening of demand.

These two assessments serve to confirm the impression that, apart from one or two sectors, the small indications of economic recovery witnessed earlier in the year have not been maintained. The Ministry of Industry's monthly review is particularly depressing and says that production figures in October fell back to the February level, a month badly affected by strikes.

The seriousness of the economic situation has led several party political leaders to urge a month-long total walk-out after bringing forward next summer's December 12.

## Tindemans disappointed at EEC

BY ROBIN REEVES

BRUSSELS, Dec. 7.

A HARD-HITTING attack on the failure of EEC Governments to implement the recommendations of his European union report has been launched by Mr. Leo Tindemans, the Belgian Prime Minister.

In a speech for delivery to the Foreign Affairs Club of London to-night — read in Mr. Tindemans's absence because of domestic political developments, by Victor Etienne Duvignau, shortly to become Belgian member of the Brussels Commission

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## Libyans want Fiat management role

By Tony Robinson

ROME, Dec. 7.

IN AN interview published in this week's L'Espresso magazine the two Libyans expected to represent the Libyan Arab Foreign Bank on the Fiat Board are reported as planning to play a role in the management of the company.

Mr. Haneh Miskani, Deputy Governor of the Libyan bank, is quoted as saying "we have no intention of limiting ourselves to merely cashing our dividends... we do not want to act as pure investors but we want to intervene in the management of the company."

This has been interpreted in the Press here as contradicting Fiat chairman Agnelli's insistence that the Libyans have taken a purely financial stake in the company. Fiat spokesmen, however, deny there is a contradiction pointing out that the Libyans in direct negotiations with Fiat, agreed to pay Lire 6,000 or over three times the then market price, for their new shares largely because this assured them two seats on the 15 man Board and one seat on the five man executive committee.

This gives them a minority voice on the Fiat board and therefore the right both to be informed and to have their views heard about Fiat strategy at the highest level.

One of the other main Libyans surrounding the Fiat-Libyan deal concerns the future of the Fiat controlled newspaper La Stampa whose editor Sig Arriago Levi is a Jew. Three years ago Colonel Khedafi threatened to put Fiat on the Arab boycott list if Sig Levi was not fired for having published a highly irreverent article about Khedafi himself. Sig Agnelli refused to fire Sig Levi who remains at his post.

There was standing room only in this ancient gothic building in the heart of the old town which has become the bastion of the Polish Catholic Church's struggle for survival in Communist Poland. Men and women of all ages crammed the seats, and were mostly nuns and old women wrapped in thick peasant shawls.

Up in the sanctuary a throng of richly robed bishops and priests conducted the evening Eucharist flanked by a choir of monks; on a high gothic throne beside the altar sat the small but unmistakable figure of the Cardinal in his scarlet robes and cap.

The sermon came early in the service. The Cardinal moved slowly down to the heavy wooden pulpit which stands halfway along the nave. He climbed the steps, gave a blessing, and turned his sharp, bespectacled features on the crowd below.

His sermon lasted no less than 50 minutes. But this is average for the performance Wyszyński has been giving weekly since Poland plunged into its crisis last summer. The Cardinal has since won a reputation for the simple but firm gestures of the arms in their lace encrusted sleeves.

He began calmly on the theme of St. Francis. But gradually he moved up to a booming climax and he applied his text to the present-day situation in Poland.

There was a need for more love and less materialism he declared. And in his sharpest attack to date on the authorities handling of last June's food price riots, he condemned police brutality and revealed that he had received dozens of letters from workers who claimed to have been victimised for their protest action.

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## Belgian political crisis

By David Buchanan

BRUSSELS, Dec. 7.

RAPIDLY INCREASING strains down the Government, has set inside his coalition has led Mr. Leo Tindemans to cancel his trip to London to-night to deliver a speech to the Foreign Affairs Club. The Belgian Prime Minister's absence because of domestic political developments, by Victor Etienne Duvignau, shortly to become Belgian member of the Brussels Commission

of the citizen, and more authoritative and efficient EEC institutions. But the conclusions of the Foreign Ministers' study of the concrete suggestions in his report have been "more than disappointing. Several proposals were discarded because there was no agreement, others were described as premature. Among those which were considered positively, many have been so edged about with provisos and qualifications they have lost much of their value," he declared.

Mr. Tindemans said that the idea of "innovation a new start, the qualitative leap forward," which can be found explicitly or implicitly in every page of my report," had almost disappeared from the final document submitted last week to the Hague council of Common Market leaders.

But the Belgian leader rejected the suggestion that the Hague summit had buried his report. "In fact, the programme is accepted, but its implementation will have to wait for better days," he said.

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## AMERICAN NEWS

## Court move causes fears on bussing

By David Bell

WASHINGTON, Dec. 7. A NEW decision by the U.S. Supreme Court on the controversial question of school bussing has renewed fears among some civil rights leaders that the nation's highest court may be softening its insistence on the need to integrate the country's public schools.

In a complicated but very important case, the court asked a lower Texas court to reconsider an order for large scale bussing to achieve racial balance in the Austin, Texas school system. This court had ruled that there was extensive discrimination against black and Mexican American school children, but the Justice Department filed a suit pointing out the danger that the Austin system might be used as a precedent in other cases.

In response to this, the court said the real issue was not whether there were cases in which an overwhelming majority of pupils were black or Spanish speaking but whether the creation of effectively integrated schools was the deliberate intention of the Austin authorities.

At stake in this case and in others is the question of whether the court should take compulsory integration a stage further and order it in cases where schools may be heavily black because they reflect the area in which they are situated. The court appears to be arguing that in cases like this, there is no intention to discriminate and therefore, there should be no bussing.

## House election improves. Carter-Congress relations

By JUREK MARTIN, U.S. EDITOR

WASHINGTON, Dec. 7.

MR. JIMMY CARTER'S chances of a harmonious relationship with Congress were considerably enhanced late yesterday when Congressman Jim Wright from Texas emerged as the surprising winner of the contest to become House Majority Leader.

Mr. Wright, a moderate Democrat whose political philosophy is in line with Mr. Carter's, will now team up with Congressman "Tip" O'Neill, elected, unopposed, as the new Speaker of the House in succession to Mr. Carl Albert (who is retiring).

In the election by House Democrats, Mr. Wright squeaked through by one vote over Congressman Philip Burton from California after three ballots between the four original contenders. Mr. Burton had led in the first two rounds, which eliminated Congressman McFall of Missouri, but Mr. Wright edged past him in the final run off by 148 votes to 147.

Mr. Burton is an aggressive liberal who, it is thought, would push hard for social programmes on which Mr. Carter and Mr. O'Neill might prefer a cautious approach. There is also public disension between Mr. Burton and Mr. O'Neill which might, in the opinion of some observers, have prompted the ambitious Mr. Burton to go his own way.

Mr. Wright, on the other hand, likes to see himself as a bridge builder between liberals and conservatives and north and south.

In his 22 years on Capitol Hill, he has risen unobtrusively in the hierarchy and would almost certainly have become chairman of the influential Public Works Committee next year had he not bid for the Majority Leadership.

Interviewed this morning, Mr. Wright acknowledged that one of the thorniest current Congressional problems concerned the ethical standards adhered to by the Representatives, now under fire in the light of the South Korean bribery allegations.

He said that he thought the current code of ethics needed updating. However, in the recent past, he has not shown a great willingness to censure those Democrats identified with malpractice of one form or another.

Asked at the week-end, for example, if he would support a move to depose Mr. Robert Sikes, Senator Barry Goldwater.

unbraided by the House for conflict of interest earlier in the year, from his sub-committee chairmanship, he refused to commit himself.

Democrats in the Senate are due to choose their new leader early next month. The leaders in the contest to succeed Mr. Mike Mansfield are Senator Robert Byrd of West Virginia, currently the party whip, Senator Hubert Humphrey who appears to be making a remarkable recovery from recent cancer surgery, and Senator Ernest "Fritz" Hollings from South Carolina.

The Republican leadership in the House, due to be decided on Thursday, seems likely to remain in the hands of Mr. John Rhodes from Arizona. The Senate race, however, has been much mudslinged by the unexpected entry of Senator Barry Goldwater.

## X-ray foils bomb attempt

WASHINGTON, Dec. 7.

A WASHINGTON police bomb squad removed the package containing a bomb from President-elect Jimmy Carter's transition headquarters and successfully defused the bomb outside.

The bomb was contained in a package found in the mailroom of the fifth-floor offices in the Department of Health, Education and Welfare building being used by the Carter transition team.

More than 200 people were evacuated from the offices and herded into an area on the first floor while the bomb squad removed the device.

Staff members said the bomb was discovered when the X-ray device which routinely checks incoming packages detected what looked like a battery and wires.

AP-DJ

## Survey points to need for stimulus

By Our Own Correspondent

WASHINGTON, Dec. 7.

THE LATEST Government survey of corporate capital spending intentions in the first half of next year, which suggested that companies intend to reduce sharply the rate of growth of capital spending may finally convince Mr. Carter of the need for a new economic stimulus as soon as he takes office.

Mr. Bert Lance, a close adviser of Mr. Carter's and his new Budget Director, told a television interviewer this morning that the country was dangerously close to being back in a "recession" — an assessment that some independent economists would probably regard as a little too gloomy.

At the same time Mr. Lance reiterated a little from his earlier statement that a tax cut was a near certainty, saying instead that while this remained the leading option it was only one of several being studied by Mr. Carter.

The President-elect has already made it clear that he is waiting for further economic signs before finally making up his mind on the measures needed.

There are some indications that his advisers, worried by the very low spending intentions of most sectors of industry, are now considering a temporary increase in the investment tax credit from its present level of 10 per cent.

## Insurance industry fears effects of New Jersey ruling

By STEWART FLEMING

NEW YORK, Dec. 7.

IN A DECISION which the regulated by State insurance insurance industry fears could make it more difficult nationally such as car insurance.)

The September Mr. Robert Hunter, the acting federal insurance Commissioner, claimed that the industry was making a rapid recovery from its earlier losses, but that the industry had over-reacted to the Geico situation, and that the industry was heading for record profits. He asserted that the industry had over-reacted to the Geico situation, and that the industry was heading for record profits.

One industry observer commented that the New Jersey situation and investment losses, which the first he could remember in the past year where an insurance commissioner had adopted in New Jersey was likely to have some impact on the positions adopted by other State commissioners.

The industry has claimed that the New Jersey situation has caused a middle-aged male with a good driving record had probably risen about 55 per cent in New York. Fully comprehensive insurance for such a driver probably costs in the region of \$400 to \$500 a year.

There have already been some indications that officials at industry to operate in for some time, and earlier this year Geico had adopted a more questioning approach to rate increases in the industry after a period when rates were being allowed to rise quickly. (In the U.S., other companies to stop writing insurance premium rates are motor insurance in the State.)

## Alaska pipeline finally in place

ANCHORAGE, Dec. 7.

THE ENTIRE 800-mile trans-Alaska oil pipeline is finally in place.

The last section of 481-nch pipe was laid Sunday in rugged Thompson Pass 20 miles north-east of the terminal at the ice-free port of Valdez, the Alyeska Pipeline Service Company reported.

The first section was installed some 20 months ago at the Tonsina River about 55 miles north of where the final link was set in the \$7.7bn project.

## Pumping

A spokesman for the Alyeska Pipeline Company said the pipeline from the oil-rich North Slope area above the Arctic Circle is scheduled to come on stream in mid-1977.

The line is expected to begin pumping at 600,000 barrels per day, reaching the initial capacity of 1.2m barrels within a few months.

Even though all sections of the pipe are in place, they are not yet all connected by welds. About 180 miles of the line—most of it in the far northern section—must be water-tested next Spring before the welding can be completed.

UPI

## Currency support erodes Canada's \$U.S. holdings

By VICTOR MACKIE

OTTAWA, Dec. 7.

THE CANADIAN Government Ottawa share costs of the Quebec provincial police force, and that it guarantee the Olympic lottery.

Canada's unemployment rate in November, adjusted for seasonal changes, dropped to 7.3 per cent, from October's 7.6 per cent, compared with 7 per cent in November 1975, AP-DJ adds.

But Statistics Canada reported that the number unemployed during November rose to 708,000 from 679,000 in the previous month. In November, 1975, 688,000 were unemployed.

October's rate, the highest in 14 years, had prompted pressure on the Federal Government to promote job creation.

Of Canada's 10 provinces, seven posted declines in their unemployment rates between October and November, two registered increases and one, British Columbia, showed no change.

Quebec's unemployment rate remained well above the national average at 9.8 per cent, in November but was down from 10.1 per cent in October.

General Motors of Canada and the United Auto Workers reached tentative agreement today on a contract after a six-hour strike stopped 28,000 workers at 11 plants, UPI reports from Toronto.

A GM spokesman said details of the settlement, reached after all-night bargaining, were not immediately available.

Earlier the Federal Finance Minister, Mr. Don Macdonald, rejected Quebec's demand that

At remarks prepared for delivery during two days of closed-door discussions between the Federal Finance Minister and his ten provincial counterparts, however, M. Parizeau lashed out at "Federal parsimony" in allowances to the provinces.

Mr. Claude Morin, Quebec's Intergovernmental Affairs Minister, and M. Jacques Parizeau, the Quebec Finance Minister, made it clear yesterday that the province's new Government will continue to bargain for Federal finance as a province within the federation, despite the long-range possibility of secession.

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## Where to go for a good time.

Flying Pan Am to the States is like having a great night out, whatever the time of the day.

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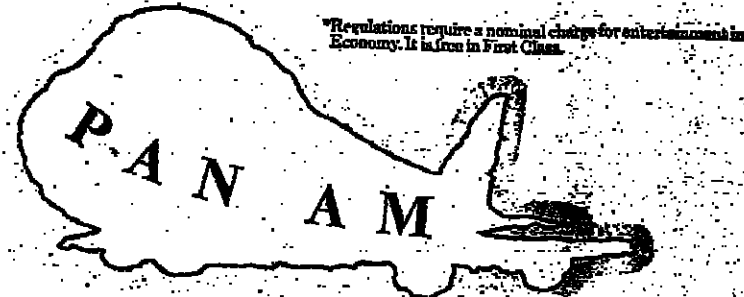
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## HOME NEWS

## Industry needs ten years to revive—NEDO chief

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

A WARNING that it will take 10 years for Britain to regenerate its industrial base came last night from Sir Ronald McIntosh, director general of the National Economic Development Office.

Delivering the seventh Mercantile Credit lecture at Reading University, he also maintained that it was unrealistic to expect manufacturing industry to be a source of strong growth in employment.

As with all industrial nations, most growth in employment would continue to come from the service sectors of the economy.

## Viability

To the extent that the industrial strategy exercise might restore viability to declining sectors and lead to an increase in market share, further loss of jobs through urgently-needed higher productivity would be offset.

"It is my personal view that the scope for improving our market penetration by better industrial performance is now so large that it should be within our power to halt and perhaps even reverse the decline in manufacturing employment over the next decade," Sir Ronald declared.

If Britain was to regenerate its industrial base it must ensure that all current issues and policy options are examined from an industrial perspective, Sir Ronald insisted.

Any U.K. Government was

continually making decisions which had major implications for industry, yet "the British Government machine is so organised that many of these decisions are taken by people with no knowledge of and often little interest in industrial problems."

Where a conflict of priorities arose, the industrial interest is nearly always subordinated to other needs. But it would be the purpose of a new industrial policy to ensure that the implications for industry of all policy options were brought into the open in the early stages of policy formulation and that where they were damaging to industry the option in question would not be pursued.

As for direct intervention by Government in industry's decisions, many matters had become the subject of acute party political controversy in recent years "and the gap between the views held on the extremes of the two main parties is now plainly unbridgeable."

It was this above all which led people to question the ability of the present party political system to cope with the problems of industrial regeneration that Britain now faced.

Sir Ronald maintained that a growing number of people were asking whether there should be some realignment of political interests "which would hold out the prospect of a more durable consensus on our industrial problems."

The process of industrial regeneration would take more than a decade to accomplish and many of the individual investment decisions associated with it would not fructify in the lifetime of a single Parliament.

Hence the current attempt to develop an industrial strategy which could command a degree of bi-partisan support and be used as a settled framework for reaching decisions on specific issues as they arise.

**Direct impact**

Sir Ronald said that it was already clear that the work of the sector groups involved in the industrial strategy exercise would have a considerable influence on a wide range of detailed policies whose operation had a direct impact on industrial performance. Examples were standards and specifications, export credits, planning controls and even safety regulations.

Sectoral strategies would probably develop and give a clear and consistent review of the markets of an industry so that the extent and quality of investment might be properly assessed.

"It is this review that indicates the correct structure of capacity and the relevance of the product and technology to the market needs. It also facilitates the planning of supplier industries and the availability and training of labour. Such a strategy would also provide a consistent framework for official support for new investment 'on restructuring should this be necessary'."

## Prospects for house building 'abysmal'

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE PROSPECTS for private house building in 1977 are 'abysmal', according to Mr. Charles Mitchell, president of the House Builders' Federation.

Mr. Mitchell told his federation's annual meeting in London that the high cost of mortgages combined with a likely shortage of building society finance was likely to lead to serious difficulties for the housing sector next year.

The sharp drop in the number of new private homes on which work started in October was a 'disturbing indication' of the level of output which builders could expect in the coming months, and the projected 100,000 starts in the private sector for this year might not be achieved. Last year a start was made on 143,000 private homes.

Some builders believed private starts in 1977 would fall below the 100,000 level and that as such a drop would coincide with a reduction in public sector output, the consequences for employment in the industry could be very damaging.

The indications were that mortgage funds allocated by building societies were likely to be cut back substantially and that for 1977 as a whole, lending could be down by a quarter from this year's target of £8bn. Such a trend was deeply disturbing for house builders who had to be confident that sufficient funds would be available for potential house purchasers before construction programmes went ahead.

"In present circumstances it is impossible for builders to have that confidence. The result is that housing programmes are being cut back sharply, postponed

or, in an increasing number of cases, abandoned altogether. Mr. Mitchell said he had 'every sympathy' with the building societies who had the difficult task of assessing the correct interest rate and who, on the last occasion, were caught out by the decision to raise minimum lending rate to a record level.

He added: "Building societies face the prospect of having to raise rates yet again and the only factor which could prevent such an increase would be an easing of the general level of interest rates."

He was not, however, confident that this was about to happen. Final figures from the Department of the Environment, released yesterday, confirm that October was the worst month for private housing in England and Wales since March 1975.

According to the DOE, private housing starts totalled 10,100, compared with 15,500 in the previous month, while the number of private homes finished fell to 12,300 from 14,500 in September. Council housing starts in October dropped to 11,800, compared with 14,500 in the month before, while completions fell from 15,200 to 13,500.

## Freeson told of recession problems

By Michael Cassell, Building Correspondent

REPRESENTATIVES of the building and civil engineering industries told the Government yesterday that recession in the construction sector could threaten ability to support the industrial strategy programme.

Management and union representatives of the industry met Mr. Reg Freeson, Minister for Housing and Construction, and Mr. Robert Sheldon, Financial Secretary to the Treasury, to call for more help for construction. They emphasised at the meeting of the national construction council of the Building and Civil Engineering Industries that unemployment in the building sector had reached 220,000 and that further redundancies were expected next year.

The ideas put forward by the industry's leaders were formulated after a meeting with Mr. Freeson in October. It was the Minister who called yesterday's emergency meeting.

In October, the National Economic Development Office recommended that Government should be established between the construction industry and the industrial strategy and said it would be seeking Government approval to cap that the sector's productive capacity would be maintained in order to ensure that it played a major role in the country's economic revival. The Government is expected to respond next month to the NEDO's request.

## Programme

At the meeting, the industry's leaders put forward a wide-ranging programme aimed at stimulating construction output in the immediate future. The Government was urged to give the go-ahead for a large house building programme and suggested new measures to help more people buy their own homes. "More realistic" rent policies in the public sector were urged.

Mr. Bob Willis, president of the National Federation of Building Trades Employers, said afterwards that, although the Government's representatives had shown more forthright concern and support for the industry problems than ever before, he had been disappointed by the outcome.

"Although the Minister listened it is clear that we have to wait until anything is done to help us and we need action now not in two or three months' time."

The deputations had been expecting some indication that its package of proposals was being regarded as being practical and not such an undertaking had been given.

## 'Few people caught in poverty trap'

Financial Times Reporter

HIGHER CHILD benefits to larger families would be the most effective way of removing any disincentive to work felt by people living on supplementary benefit, said Professor David Donnison, chairman of the Supplementary Benefits Commission yesterday.

Professor Donnison, who insisted that "very few people living on social security payments are caught in the 'poverty trap' made a vigorous defence of the social security system.

Higher minimum wages, he said, would not give most benefit to men with several children to support and high rents to pay. Raising tax thresholds would be an expensive and ineffective way of increasing incentives to work. Taxing benefits would call for a lot more civil servants to take away the tax, and few more to give back some of it in supplementary benefit."

He concluded that "larger child benefits concentrated on the larger families would be the most effective way of liberating people on supplementary benefit from any poverty trap in which they might be caught."

## Oil exporters cut sterling holdings to below £1.6b

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE OIL-EXPORTING countries reduced their holdings of sterling balances to under £1.6bn, by the end of September, £1bn less than six months earlier.

Official sterling balances as a whole were down to £2.76bn, by the end of the month after a drop of £355m in the third quarter. This compares with a decline of £905m in the previous three months. The peak of the official balances was £4.9bn in early 1975.

The official holdings have been the most volatile element in the balance of payments and have accounted for much of this year's pressure on sterling, leading up to the approach to the IMF at the end of September.

This explains the present search for an international agreement which will remove the threat to the exchange rate from a sudden withdrawal.

The oil-exporting countries, whose holdings were nearly £2bn in early 1977, accounted for almost all the total drop in official balances in the third quarter, and there was a slight increase in the sterling balances of EEC countries.

Private holdings of sterling balances, which were stable in the first half of 1976, rose by £210m in the third quarter as a result of an increase in sterling deposits by Irish residents during the bank strike in the Republic.

## Deficit

This is revealed in the balance of payments figures: the current account deficit for the third quarter is now calculated at £637m—some £100m less than projected in the monthly trade announcements. That indicates a total deficit of £1.2bn in the first nine months of 1976, change over scheme of £482m.

It reflects a rise of nearly £100m to £589m in the invisible

## SUMMARY BALANCE OF PAYMENTS (Am.)

	1975	1976	1977	1978
2nd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Seasonally adjusted				
CURRENT ACCOUNT				
Visible balance	-289	-482	-478	-1,094
Invisible balance	+244	-387	+445	+471
Current balance	-53	-869	-33	-623
Not seasonally adjusted				
Current balance	-340	-1,115	-261	-461
Investment and other capital flows	+340	-275	-269	-1,262
Balance for official financing	-30	+34	-112	-181
Official financing	-210	-356	-442	-1,924
OFFICIAL FINANCING				
Net transactions with IMF	0	0	+573	+437
Other Monetary Authorities	0	0	0	+581
Foreign Currency borrowing by HM Government (1)	0	0	0	0
by public sector under exchange cover scheme	+43	+137	+277	+582
Official reserves (drawings on, +/addition to, -)	+167	+219	-208	+334
(1) Drawings on a Euro-dollar facility for HM Government of \$2.5bn.				

surplus between the two quarters after a strong rise in earnings from travel and other services, such as finance and construction.

Net earnings from travel rose by £50m, to £185m, in the third quarter with the number of visitors from abroad and their average spending continuing to rise.

Meanwhile, fewer British people went overseas, so that travel spending by U.K. residents remained virtually unchanged.

The combined deficit on current and capital account fell from £1,920m to £548m between the second and third quarters. This balance for official financing was met by net public borrowing of £482m, the sector growing under the exchange cover scheme of £308m and further drawings of £234m on the central bank short-term

credits. The reserves

drawings on the central bank credits confirmed at £1,542m, third-quarter. The amounts due will be tomorrow.

The measures on the account from leads and alterations in the pay commercial payments with periods of sterling

sure—appear to have seen both a credit and a debit, credit and smaller balancing items.

Sterling claims, identified export credit

to rise, bringing increase this year to probably largely due to the fact that the trade which is being under the new exchange arrangements announced

## Institution doubts on option market

BY MARGARET REID

UNCERTAINTIES about the future of pre-determined prices, prospects for the creation of a but can deal in the options themselves.

The London project, which would be limited to existing traded share options market in Britain are underlined by a new survey which shows that, while the majority of leading stock

brokers favour it, most investing institutions would not use the system.

The study, which was carried out by Opinion Research Centre among more than 300 stockbrokers, investment managers and institutional investors, was published by the London Stock Exchange yesterday.

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## Warning paying tw for pensio

By Eric Short

EMPLOYERS AND the players run the risk of double pension contributions to the State and to their company scheme

delays in submitting applications to the Occupational Pension Board to contract out of the scheme. This warning was yesterday in London.

The Pension Board, which is the central body for the Occupational Pension Board, is the central body for the Occupational Pension Board.

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All of these Securities have been sold. This announcement appears as a matter of record only.

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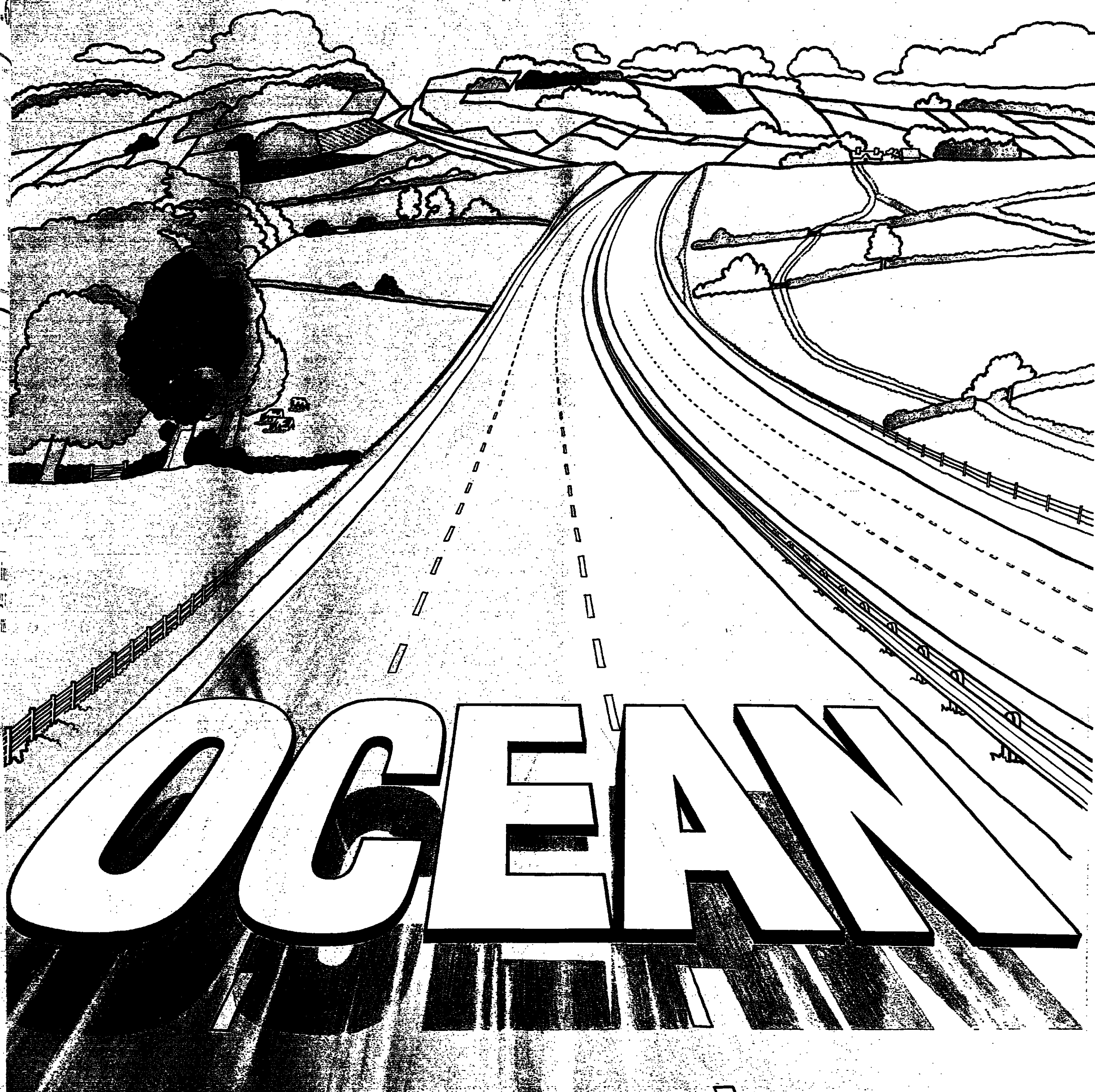
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# LABOUR NEWS

## Amoco's Montrose oil reserves may be lower than thought

BY RAY DAFTER, ENERGY CORRESPONDENT

## Political will

The SAINT is hoping to present the Ministry of Transport and the Department of Trade with a document early next year arguing a similar case to that prepared by the EEC officials.

**BY RHYS DAVID**

**Engineering** The report finally urges further efforts to attract over-

Altogether some 90 of the 127 overseas companies in Wales are

## Shopkeepers despair after blitz

BY GILES MERRITT

Although a more flexible security system allowing buses into the central area starts this week, fewer restrictions and greater variety elsewhere are the incentives drawing Derry's Christmas shoppers to other towns. Not even Derry's cheaper prices—up to 10 per cent—appear to be drawing shoppers nearer to staunch the exodus.

### Piper output

The group has challenged assumptions and conclusions about the field's performance by Professor Peter Odell and Dr. Kenneth Rosing, of Erasmus University, Rotterdam. The industry commentators claimed in a controversial report that companies were deliberately

BY IAN HARGREAVES, INDUSTRIAL STAFF

productivity should be an element of productivity incentive in phase three, but "that is an extremely difficult thing to do, because so often in productivity agreements in the U.K., money has been given away before we get the productivity," he warned. "The wage drift in stage three, which the country could not afford."

**up in first qu**

**BY KEVIN DONE, INDUSTRIAL**

A TOTAL of 68 merchant ships aggregating 342,954 gross tons and representing 0.1 per cent. of the world merchant fleet tonnage were lost in the first ten months of the year according to the Lloyd's Register of Shipping returns, published in London to-day.

Comparisons with previous years can be misleading as the quarterly returns are provisional and do not include casualties that are still to go, but that is no barometer.

The first quarterly tonnage has been heavily inflated as it in-

LATEST recommended posting dates for delivery of Christmas mail within Britain are: Friday, December 15 for parcels; Saturday, December 16 for second-class letters, and Monday, December 20 for first-class letters, the Post Office said yesterday.

## BY KEVIN DONE, INDUSTRIAL STAFF

The other major flag of convenience fleet, Panama, lost a total of 10 ships, aggregating 35,130 tons, while Greece lost five ships totalling 44,897 tons. The British fleet lost five ships amounting to 3,025 tons, but this was only 0.01 of this company's total tonnage.

By James McDonald

ment. Local authorities were now desperately worried about road maintenance and the risk of long-term damage.

"One county has estimated that neglect of running repairs costing, say, £180, would later

By Our Labour Correspondent

The association, which represents the engineering, managerial and scientific staff in the electricity supply industry and is trying to extend influence throughout industry, urged the Chancellor to introduce a general reduction in income tax at all levels "including those doing skilled, professional and managerial

**LOCAL GOVERNMENT** workers in Scotland are to stage a one-day strike in protest against the cuts in public expenditure which is being followed by a reduction in both

A date for the strike has yet to be decided. Permission for the strike was given by the National and Local Government Officers Association emergency committee, and is expected to involve thousands of workers. The Strathelynde area alone has 8,000 NALGO members.

AGREEMENT HAS been reached

Under a settlement announced yesterday between the Post Office Workers and Union of Post Office Workers the basic pay of a postman will rise from £28.84 to £31.14 per week. The settlement covers 125,000 staff including postmen, postal officers, telephonists, and telegraphists, and

BY DAVID CHURCHILL, LABOUR MP

TUC survey of union finances has found that although most unions have imposed hefty subscription increases this year, they are still worse off than before.

—BY DON ROGERS, LABOUR CORRESPONDENT

## Expensive

Mr. Jack Jones, general secretary of the Transport and General Workers Union, and main supporter of the TUC's social contract with the Labour Government, has already warned that any devaluation in the "green pound" would act as a "time bomb" under the social

BY ALAN PIKE, LABOUR STAFF

A STRIKE by 21 toolsetters over a contract with the UAW "incompatible" had made 2,200 Jaguar workers in Coventry idle by last night. Another lay-off among the 6,000 Jaguar workers was likely today.

Main car assembly came to a standstill yesterday in the latest of a series of disputes at Jaguar which has cost the company more than £10 million in production during the

to be transferred to another plant and is being said this by his union.

Leyland is means planning to recover thousands of Ruxley O'Neil's engineers' strike ended on Monday. This will be recalling 2,000 today but 5,000 remain

**Dismissal**

IN FLAMING GUNBOAT HARBOUR STAFF

**ABOUT 15,000** Civil Servants in the Post Office yesterday began operating a flexible working hour scheme without the approval of management.

The decision to adopt unilaterally the flexible system whereby staff choose their starting and finishing times was based on the fact that they are available during the central "core" time, came after

mainly work in adn posts in the regional offices and computer o

Their action has be up the Society of Public Servants, whose in the P.O. usually the CPSA grades, but Society of Post Office E

representatives high went

A GROUP of journalists among nearly 90 who are on strike over a claim for improved conditions, formed a breakfast committee yesterday to demand a return to work.

The journalists are employed by the East-Indian Alliance Press group on the Northampton and Evening Telegraph based at Kettering, the Wellingborough and the Wellingborough and Newsh. Their demand is for

The survey also suggests that the analysis of the survey is not restricted to the TUC's employment policy and organisation committee, showed that the level of union dues as a percentage of the basic wage had fallen over the past few years, thus bringing about a cut in unions' real income.

The survey also indicates that current union dues in Britain are substantially lower than those of European trade unionists, although it does not take account of different earnings and living standards.

The employment committee recently discussed implications of the survey and methods being









# VAT rate uniformity pressure expected

By Justin Long, Parliamentary Correspondent

THE GOVERNMENT expects to come under growing pressure from the Community for harmonisation of the VAT rates. This expectation is strengthened by the fact that the EEC in January 1977 for the harmonisation of the way VAT is administered by member countries. Government spokesman, Lord McCuskey, suggested in the Lords last night that the next stage would tend to produce the pressure for uniformity in the rates.

But it would be a pressure that member countries would feel, said Lord McCuskey, Solicitor General for Scotland. Viscount Amory, a member of the Select Committee which examined the EEC report on VAT administration, maintained that if due flexibility continued, then a reasonable degree of harmonisation in assessment and administration should be obtained without major changes in the U.K. system.

Opening the debate on the draft directive on the arrangements to come into force in January, Lord Amory said the aim was to establish a common system not only of assessment and administration, but also of collection and the common basis of calculation.

Meanwhile, the rates of VAT and the rate structure would continue to be fixed by Governments of member States. Whether one day the harmonisation of rates would be sought depended on progress towards monetary and exchange union. But in Lord Amory's view, that question was still far in the future.

Eventual harmonisation of rates would have to be reconcilable with the permanent aims of the Community, he contended. From the Opposition front bench, Baroness Edles welcomed the report but expressed concern lest the concept of zero rating should be disregarded.

Zero rating was a valuable economic and social weapon, particularly in times of inflation. It should not be eliminated except by a unanimous decision of the Council.

Lord Grantham, in a maiden speech, contended that VAT was not working as efficiently as it should, and he believed that pressure would be brought to bear on Britain to raise its VAT rates.

"The Community and the Commission are looking at the administration of the tax from the Community point of view and are therefore concerned to see there is no unfair trading within the Community," said Lord Grantham, who is president of the VAT Tribunal in the U.K.

"As within the U.K., one does not want a trader in one particular part of the country to obtain a trading advantage because of the differences in tax with other parts of the country, so the Community did not want unfair trading conditions arising from different rates of tax."

Lord McCuskey, replying to the debate, said that the Government was not a trading advantage because of the differences in tax with other parts of the country, so the Community did not want unfair trading conditions arising from different rates of tax."

# Callaghan hits out... Barrage of protest by Tories and has ringside seat over shipbuilding guillotine

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN hit out yesterday at a Labour Party political broadcast that had been widely criticised by his political opponents for stirring class conflict.

The Prime Minister's sharp knock against his own party's propaganda was delivered only a few minutes after politics had almost given way to punches in the Commons.

An unblinded estabweight contest between Mr. Tom Swain, Labour MP for North East Derbyshire, former miner and prospector, and Mr. Norman Tebbit, Tory MP for Chingford and Essex, was interrupted by Mr. Swain, shuffling impatiently in his corner, was complaining to the Speaker that he had not been called into the proceedings though he had been on his feet at least ten times.

Mr. Tebbit jabbed at him with a muttered remark—"Don't tell me I'm drunk. If you say that outside, I'll punch your bloody head in," he declared.

Swapping verbal blows, Mr. Swain and Mr. Tebbit headed for the door. Mr. Tebbit smiled. Mr. Swain grabbed his lapels and threatened a right hook, and Mr. Tebbit stopped smiling.

There were shouts of protest or encouragement—and the two men were quickly separated.

Mr. Tebbit—described last week by Mr. Michael Foot as "the most studiously offensive member in the House"—apologised. And peace was restored.

But the encounter, watched by Mr. Callaghan from a ringside seat, emphasised Mr. David Steel's criticisms that Labour's political broadcast had stirred class conflict, envy and greed.

It had shown the privileged rise of a cartoon figure—"the Hon. Algeron." Born with a silver spoon in his mouth, Algy had climbed through life over the backs of the workers until he reached the Lords to vote against their legislation.

The Prime Minister said that he had not seen the broadcast itself but "had been over-impressed" by the script. The country's problems would only be solved by a united effort, Mr. Callaghan asserted.

But too much conflict had been stirred yesterday for any sort of unity to flourish. Mr. Callaghan, sternly rejecting any soft economic options, found himself having to fend off the Socialist options being pressed on him severely from the Left wing.

And the Tories taunted him with the intransigence of extremists into the Labour Party until even the Prime Minister was forced to abandon his political pacifism. "I am horrified by the degree of hard-faced extremists infiltrating the Tory front bench," he said.

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CONSERVATIVE backbenchers launched a barrage of protest yesterday at the Government's decision to guillotine all the remaining Commons stages of the Aircraft and Shipbuilding Industries Bill so that it can be sent to the House of Lords as soon as possible.

Leading the Tory attack Mr. Nicholas Ridley (Gloucestershire and Tewkesbury), a prominent Right-winger, claimed that Mr. James Callaghan, the Prime Minister, had lost the confidence of the British people and no longer had a mandate to govern.

He was backed up by colleagues Mr. Ian Gow (Eastbourne) and Mr. Nicholas Fairbairn (Kilross and West Perthshire) and also received support from the Liberals and the Ulster Unionists.

But despite threats of a vote against it, the timetable motion was allowed to go through without a division. This meant that all debate on the committee stage and third reading had to be wound up by midnight.

The Bill, which nationalises the aircraft, shipbuilding and ship repairing industries, failed last session when it was resisted by the House of Lords. It has now been reintroduced under the Parliament Act.

Mr. Ridley said that Mr. Enoch Powell (Uxbridge, South Down) had saved the Government from defeat the previous night on the National Insurance Surcharge Bill.

But the Government could not rely on Mr. Powell's vote on the shipbuilding Bill.

He claimed that the Prime Minister had no authority left in the country and had no Tory MP claimed.

From the Labour benches, Mr. Ernest Forriugh (Jarrow) rejected the Conservative criticisms and said that no other Bill had been so many days devoted to it in the last session. He accused the Tories of "humbug, nonsense and hypocrisy."

Another Labour MP, Mr. Jeff Rooker (Perry Barr), claimed that the time was adequate, he alleged that the "winning" state of affairs when Mr. Foot was continually trying to curtail the expression of opinion by the use of the guillotine.

The Leader of the House should realise that the will of the people would prevail despite his attempts to prevent debate, he declared.

Mr. Gow saw the Government's tactics as another sign of the arrogance of the Executive. It was time the House asserted its supremacy over an increasingly dictatorial Government.

Mr. Fairbairn found the motion very disturbing and said it was a question of whether the House remained an instrument of democracy or became the tool of authoritarianism.

He maintained that Mr. Foot was only intent on getting his "Reichstag vote" to force the Bill through. Discussion seemed to be completely irrelevant as far as Mr. Foot was concerned. He appeared to be intent on destroying the democratic process, the Tory MP claimed.

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Bill. But the Government could not rely on Mr. Powell's vote on the shipbuilding Bill.

He claimed that the Prime Minister had no authority left in the country and had no Tory MP claimed.

From the Labour benches, Mr. Ernest Forriugh (Jarrow) rejected the Conservative criticisms and said that no other Bill had been so many days devoted to it in the last session. He accused the Tories of "humbug, nonsense and hypocrisy."

Another Labour MP, Mr. Jeff Rooker (Perry Barr), claimed that the time was adequate, he alleged that the "winning" state of affairs when Mr. Foot was continually trying to curtail the expression of opinion by the use of the guillotine.

The Leader of the House should realise that the will of the people would prevail despite his attempts to prevent debate, he declared.

Mr. Gow saw the Government's tactics as another sign of the arrogance of the Executive. It was time the House asserted its supremacy over an increasingly dictatorial Government.

Mr. Fairbairn found the motion very disturbing and said it was a question of whether the House remained an instrument of democracy or became the tool of authoritarianism.

He maintained that Mr. Foot was only intent on getting his "Reichstag vote" to force the Bill through. Discussion seemed to be completely irrelevant as far as Mr. Foot was concerned. He appeared to be intent on destroying the democratic process, the Tory MP claimed.

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The guillotine motion also came under attack from Mr. William Craig (Uxbridge, West), who said there was a case for using a timetable motion in some instances but it had to be a very special case. He accused the Government of "riding roughshod over the whole Parliamentary process."

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# I was misheard, says Tebbit

Outside the House, Mr. Tebbit claimed that Mr. Swain had misheard him. "If I had said what Tom Swain thought I had said, then he would have had every right to thump me on the nose," Mr. Tebbit, however, declined to say what words were in not drunk. No one has offered me a drink yet."

Mr. Swain said in a very nice way some very nice things. Anyway, he has now written me a note of apology. At the time, I was prepared to take him outside."

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# IMF terms should be rejected—Allan Borsal costs

THE IMF should be told that the British working people could not tolerate further cuts in housing, education and social services, Mr. Frank Allan (Lab., Salford E.) said in the Commons yesterday.

He argued that the Chancellor (Mr. Healey) should reject the IMF terms and instead withdraw the British Army from the Rhine, save £800m. a year, he said.

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The Prime Minister



# FINANCIAL TIMES SURVEY

Wednesday, December 8, 1976

## DENMARK

Danes have seen their politicians this year lurching between crisis and compromise and the country's leaders appear confused, insecure and indecisive. The country is also frustrated and irritated with current trends in the EEC.

### BASIC STATISTICS

Area	16,359 sq. miles
Population (1975)	5.1m.
GNP (1975)	Kr.227bn.
Per capita (1975)	Kr.44,910
Trade (1975)	
Imports	Kr.59.7bn.
Exports	Kr.50.0bn.
Imports from U.K.	£443m.
Exports to U.K.	£623m.
Currency: krone	£1=Kr.9.69

Plits  
ead

urmoil

y William Dullforce  
ordic Correspondent

DENMARK governable or the democratic process come so entangled that no active decisions reflecting the will of the majority can be made? More and more Danes have been asking these questions this year, as they have watched their politicians haggle their way from crisis to compromise. In the broader perspective the battle over the 1978 General Election shattered the Folketing (parliament) into parties, has moved no nearer solution in 1976.

Crisis in the economy has been averted mostly at the cost of growing dependence on West Germany, which "carries" the Danish krone within the European snake. At the same time the Danes have become increasingly irritated at the lack of action within the European community, so much so that they have even threatened with support from the Irish to vote over the Common Agricultural Policy.

Throughout this year Mr. Joergensen's minority Social Democrat Government has had to bargain for a majority, piecing together a different combination of parties or almost every act of legislation. In August it made its most determined effort to stabilise the economy by compromising on an incomes policy with the Christian People's Party, the Centre Democrats, the Radicals and the Conservatives.

The August compromise put a 6 per cent. annual limit on wage increases for two years from March 1977. It set off "wage-hoarding" demands from unions and occupational groups

anxious to wipe out differentials or better their starting position before March, culminating in the strike by private petrol lorry drivers in November which brought the country to the brink of a new election.

The compromise, moreover, silhouetted the main dividing lines in present-day Danish politics. It was unacceptable to the Trade Union Federation (LO) which publicly opposed it, thereby underlining the split between the unions and their traditional partner, the Social Democrat party. It excluded Venstre, the Liberal party, which is the second largest group in the Folketing and in the eyes of many Danes the natural partner to form a centre coalition with the Social Democrats.

Understandably, the Social Democrat leaders are at present harassed and insecure. Sensing that the majority of Danes want a centre government which will both eschew radical left-wing policies and halt the growth of welfare state bureaucracy, Mr. Joergensen has sought to build a majority towards the right. This has estranged him from the union leaders at the same time as he has met with no help from Mr. Poul Hartling, the Liberal leader and his predecessor as Prime Minister.

### Alternative

Mr. Hartling, a Christian and the August compromise put a man of firm principle, believes that collective social wage increases for two years from March 1977. It set off "wage-hoarding" demands from unions and occupational groups

policy is more important to him than the tactical compromises which would accommodate Mr. Joergensen and open the way for a coalition with an effective majority in the Folketing. This is a long term view but the recent poll ratings of his party suggest that fewer Danes are willing to go along with Mr. Hartling than at the time of the 1975 election, when he increased the Liberals' strength from 22 to 42 in the 179-member Folketing compared with 53 Social Democrats.

Exacerbating the Danish political dilemma is the phenomenon of Mr. Mogens Glistrup and his Progressive party. First voted into office on an anti-tax platform in 1973, Mr. Glistrup was promptly outlawed by the other parties in the Folketing but has since exercised a pervasive effect on their policies.

At first it seemed improbable that he would survive for more than one mandate but, although he has for the last two years been defending himself in a civil court against tax evasion charges, Mr. Glistrup and his party returned triumphantly to the Folketing as the third strongest group in 1975 and in recent opinion polls have even overtaken Mr. Hartling's Liberals.

It is now evident that Mr. Glistrup has crystallised much of the discontent among Danes against the dirigisme and bureaucracy of the social system established in decades of rule by the Social Democrats. He represents more than a protest against high taxation. He has focused attention on the plethora of legislation passed by

the Folketing, much of which has undoubtedly helped to improve Danes' living standards and social security but at the cost of elaborate and confusing controls.

He has also become a channel for protest against ideologically motivated changes in school curricula and teaching methods, which—put crudely—follow the theory that the purpose of schools is not to produce competitive-minded individuals but to train children to co-operate in a collectively organised society.

### Coalition

Mr. Hartling refuses, again on principle, to have anything to do with Mr. Glistrup, thus precluding any chance of creating a majority coalition of non-socialist parties. But there is not much doubt that Mr. Hartling's faith in the value of a consistent, anti-socialist line has been strengthened by his assessment of the forces behind Mr. Glistrup.

The Social Democrats, both in the party and in the unions, have failed to understand the Glistrup phenomenon. Only recently, for instance, have the unions become aware of the fact that many of their members are voting Progressive. The LO is at last planning an information campaign to counter Mr. Glistrup's arguments.

But the Social Democrats' growing awareness of the effect of Mr. Glistrup only intensifies their dilemma. If they accept that he reflects the mood of the country, the party must logically take measures which will bring it into conflict with the unions, some remnants of credibility,

but without help from Mr. Hartling it is difficult to see him surviving another year. His strongest card is the other parties' distaste for a new election.

The turmoil in domestic Danish politics has so far had only a minor effect on foreign relations, chiefly because there is general agreement among the centre parties on the principles on which foreign policy is based. One issue, however, in which the Folketing divisions could have serious consequences for Denmark's relations with its allies concerns defence.

The Danish defence budget relies on a four-party agreement which is due for renewal in April next year. Despite prolonged talks and at one time reports that they would make a six-year agreement, providing for minor cuts in expenditure in the first three years which would be replaced in the second three, the parties have not yet come to terms.

One reason is a revival of pacifist or anti-military sentiment among the Radicals, who are about to change leader. The Social Democrats also seem to be unusually hesitant, partly on the grounds that it is not easy to maintain the level in defence expenditure at a time when other public spending is being curtailed, partly because of arguments in favour of a cheaper form of defence from their left-wing.

In the short term it is difficult to forecast events. A new general election would solve nothing: the same pattern would emerge within the Folketing with Mr. Glistrup's Progressives and the Communists the most likely to make gains. Mr. Joergensen will probably soldier on into the new year in the hope of obtaining an intake measures which will bring it into conflict with the unions, some remnants of credibility,

During the crisis sparked off last month by the petrol lorry drivers' strike Mr. Joergensen retreated only at the last minute and after strong LO pressure from agreeing to legislation with the non-socialists that would have made it possible for civil courts to fine illegal strikers and people infringing the wage limits.

On the other hand the Social Democrats are sensitive to the increasing activity within the unions of the Communists and other left-wing groups and to the dissatisfaction among their own party left-wingers at the compromises the Government is being forced to make and at its lack of ideological commitment. The programme for industrial democracy, which the Social Democrats were planning to launch with éclat at the beginning of the year, has been quietly veiled.

There is little wonder if the Social Democrat leaders at present appear to be confused, insecure and indecisive. The splintered state of the Folketing explains much but the truth is that the Social Democrat party has yet to make that fundamental re-assessment of its purposes for which a majority of Danes now seem to be calling.

At present their discontent is focused on the Common Agricultural Policy (CAP) which has brought benefits to Danish farmers but which the Government feels is overburdening the Community budget and preventing the EEC from undertaking new

Agreement  
The odds are that agreement will be reached before April. The Social Democrat leaders are aware of the effect defence cuts would have within NATO and

on the credibility of Danish foreign policy. Another incentive is Danish concern about Warsaw Pact countries' military manoeuvres in the Baltic. In recent months the Russians, Poles and East Germans have been carrying out combined operations in areas much closer to Danish territory than previously. There has been greater air activity with Soviet aircraft turning back at the very edge of Danish air space. Electronic surveillance by Warsaw Pact ships just outside Danish territorial waters has been stepped up and East German and Polish landing craft have been exercising in the Kattegat and Skagerrak, the entrance to the Baltic.

The last poll to test opinion on Denmark's membership of the European Community indicated that just over half the Danes had a negative attitude. The Government does not appear to be perturbed by this shift in opinion and the official line is that Denmark would have been far worse off outside the EEC during the current recession.

Nevertheless there is some frustration and irritation within the Government at the EEC's present inertia. The Danes have always discounted grandiose schemes for political union but have worked for small, pragmatic changes in existing procedures and institutions to improve performance and efficiency.

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worthwhile ventures. It wants the Community to run down and eventually abolish the present system of Monetary Compensation Amounts (MCAs) which, it argues, unduly favour West Germany and Britain.

German farmers, in particular, it is claimed, are being unnecessarily subsidised and thereby able to raise production and take away Danish markets. The Danes instance German exports of butter to Britain, a traditional Danish market for dairy products. German exports increased from 1,600 tons in 1971 to 58,000 tons last year while Danish butter exports to Britain rose by only 12,500 tons over the same period to 83,000 tons.

### Changes

Now the Danes are threatening to veto the tabled changes to the VAT system and the EEC unit of account unless the Community agrees to the abolition of the MCAs. They have the support of the Irish but so far appear to be far from their goal, although they believe they have won greater understanding for their position among the Dutch and Belgians and at the latest Heads of Government meeting even gained backing from President Giscard d'Estaing.

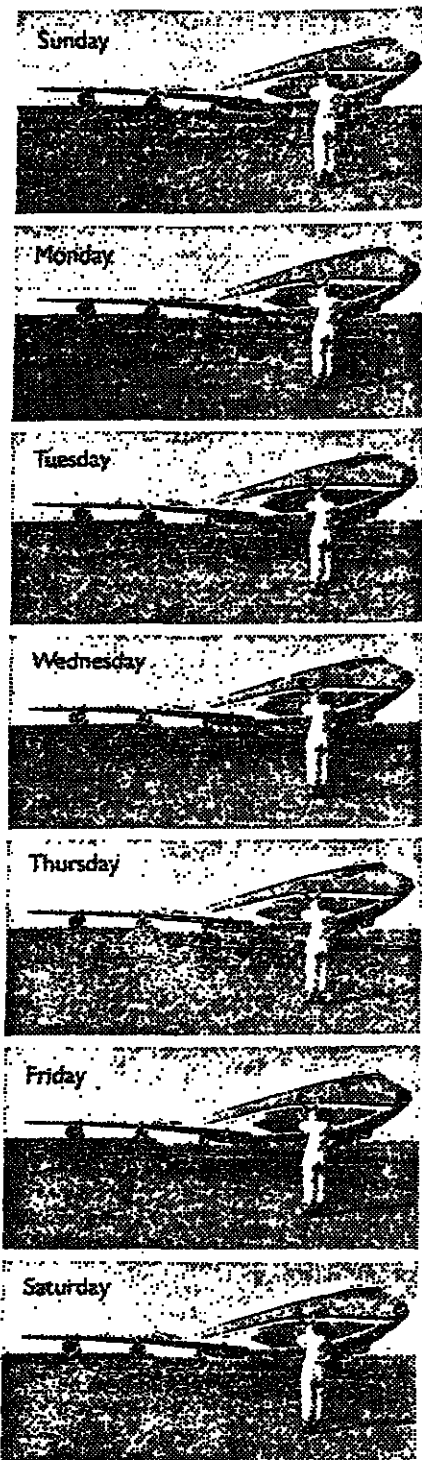
The Danes came under fire from their EEC partners in November when they voted in the United Nations together with their Nordic neighbours in favour of a resolution condemning foreign investments in South Africa. The vote underlined the continuing division in Danish loyalties and may not have helped to win backing for their argument on the CAP.

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## DENMARK II

# Strains on the economy

OVER THE past 20 years or so Denmark has risen from being one of the dozen poorest nations in the world to being one of the three or four richest, measured by per capita income. Denmark now ranges along with Sweden, Norway and Switzerland (forgetting for the moment the oil sheikdoms) as the world's wealthiest nations. This impressive performance was inspired by an investment boom which began in the late 1950s, and it was sustained by a radical reorganisation of the agricultural sector, which shed labour rapidly and enabled the manufacturing and construction sectors to expand. The boom conditions of the 1960s were also sustained by a rapid increase in public sector investment and consumption, and taken together the economic and industrial development of the country during this period has not only provided Denmark with high living standards but with a modern and efficient industrial base.

Looked at in perspective, Denmark has been an economic success story, but the success had a couple of blemishes, inflation and a growing current balance of payments problem, and between these two factors have to-day landed the country in a somewhat problematic situation.

The current balance of payments deficit was allowed to develop in the early 1960s and was financed with long term foreign loans to industry. The deficit was the mechanism by which the switch from the earlier agricultural economy to today's manufacturing economy was achieved. But it proved difficult later on to reduce the external deficit again. It has averaged 1.9 per cent a year since 1960 and this year shot up to about four per cent of Gross Domestic Product.

The high level of domestic demand sustained throughout the 1960s also encouraged an inflationary development which was not in line with developments in Denmark's major trad-

ing partners. Denmark topped the OECD's price increase league throughout the 1960s, and gradually Danish wage levels rose to very high levels. Only Sweden and Norway to-day have a higher level of hourly wage costs in manufacturing than Denmark.

The problems which the accumulated foreign debt and high costs level potentially posed came to a head when oil prices were increased in 1973. Denmark is one of the countries most exposed to the ravages of the oil crisis, importing virtually all its energy, and nearly all of it in the form of oil.

The 1973 oil price increase put a large extra strain on the current balance of payments, a strain which it could only with difficulty absorb. In 1974, therefore, the Government was forced to implement tough contractionary measures to prevent the current balance of payments deficit from getting out of hand. These measures were successful in bringing down the external deficit as well as in reducing the rate of inflation, which by mid-1974 was running at over 18 per cent a year.

But the recession also hit output and employment, and last year the Social Democratic Government decided that the external deficit had improved so much that it could afford to re-stimulate the economy. The chief measure was a reduction in value added tax for five months last winter. The consequences were unexpected. The reduction in VAT set off a sustained spending boom, and in 1976 private consumption in real terms has risen by 6 per cent—making this year one of the best years ever for the consumer.

The massive increase in demand, however, was met largely out of imports, with commodity imports in the first nine months of the year rising by 24 per cent by volume and 30 per cent by value. As exports rose by only about 4 per cent by volume and 12 per cent by value, there was a drastic deterioration once again in the trade balance and the current balance of payments deficit.

In August the Social Democratic Government and four parties supporting it agreed on counter-measures, including a squeeze on demand and an incomes policy for 1977 and 1978. The fiscal measures which involved increases in indirect taxes and cuts in Government spending, will cause a big slowdown in 1977. After a 5 per cent increase in the Gross National Product this year, the growth rate is expected to be down to about 1 per cent in 1977, with private consumption also only increasing by about 1 per cent.

But if the August incomes policy measures are successful and not undermined by de-

velopments on the labour market, the prospects of bringing the economy on to an even keel again look reasonably good. This emerges from a report published last week by the chairman of the Economic Advisory Council, Denmark's three wise men. The incomes policy adopted by the Government and its supporting parties is intended to prevent incomes from rising by more than 6 per cent a year in the next two years. Its success depends on the attitude of the unions, who are in the process of negotiating new collective wage agreements, due to take effect from next March. The 6 per cent framework gives them only 2 per cent to discuss for general wage increases, as the other 4 per cent will be accounted for by automatic cost of living index-linked wage increases.

The chairman of the Economic Advisory Council do not have anything cheerful to say about 1977, which will be a year of negligible growth and increasing unemployment, but in looking further ahead they forecast a reduction of the rate of inflation from about 8½ per cent at the moment to about 3 per cent by 1979. At the same time the current balance of payments deficit is forecast to gradually come down from its present Kr.10bn. to only around Kr.3bn. by 1979-80.

Although this scenario involves an average GNP growth rate of 4 per cent a year for 1978 to 1980, unemployment would remain relatively high, going up from this year's 5½ per cent to 6½ per cent of the total labour force in 1977 and coming down slowly to about 4 per cent in 1980.

## Assumptions

It needs to be said that at least two of the assumptions in the chairman's scenario are optimistic. The first is that the incomes policy will not only stick in 1977 and 1978 but will also be continued in the following two years. The second is that Denmark will be able to increase the volume of its commodity exports by 12 per cent a year, three times as fast as in 1976 and probably a good deal faster than the growth of world trade (the chairman assumes an average growth rate for the OECD of 4 per cent a year). As for the incomes policy going to cost the country between Kr.4.5bn. a year in the next spring's collective wage agreements are fully signed, sealed and accepted by union members. However, Denmark has already succeeded in reducing the rate of increase in hourly wages from 20 per cent in 1977 to only 12 per cent this year, so a further reduction should also be attainable.

CONTINUED ON PAGE IV

# Outlook for farm exports

ONE OF my neighbours, a proved satisfactory to the farmer, sends about 400 pigs a year to be slaughtered. But he is 63 years old and finds pig breeding a troublesome burden, in 1972 to about Kr.17bn. this year (so that farm exports still account for about 25 per cent of the country's total exports).

The farmers' organisations attribute the failure to increase output to three main factors: delay in the change of generations, abnormally high interest rates and the generally high level of production costs in Denmark compared with most other countries. These all add up to what Mr. H. Kjeldsen, chairman of the farmers' unions, called "the unfavourable climate for investment".

The change of generation delay is perhaps the most serious problem, as the younger farmers are investing fairly heavily in spite of several disincentives such as the interest rate on long-term loans of about 16 per cent. The older farmers like my neighbour, however, are unwilling to sell their farms and allow younger men to take over. The reason is a penal capital gains tax, nominally at 75 per cent.

## Rules

In many cases (the complicated rules by which it is calculated have a varying impact from farm to farm and district to district) the capital gains tax means that the farmer will not have anything left over with which to buy a house for his retirement. Instead he continues to live on his farm, enjoying the income from producing of corn, while running down his production of livestock.

The Agricultural Council said Mr. Kjeldsen.

If the general prospects for improving the economy look reasonably encouraging, the authorities are nevertheless faced with difficult problems in the immediate future.

The renewed plan for heavy external deficit has forced the Central Bank to maintain extremely high rates of interest. The discount rate was put up to a record 11 per cent in October, before the realignment of the currencies in the European monetary "snake". The realignment was highly successful from Denmark's point of view, bringing a big inflow of foreign currency and enabling the Central Bank to pay off a Kr.3bn. debt to the Bundesbank. The inflow of foreign currency enabled the Bank to lower the discount rate again to 10 per cent yesterday.

Effective interest on mortgage bonds are hovering around 16 per cent, and bank advances cost between 17 and 18 per cent, which with prices rising by only about 8½ per cent, means that there is a massive real interest to pay. There seems little prospect that interest rates will come down by very much until the private sectors shows a renewed interest in making medium term loans in foreign currency (this year it has run down its foreign debt) and until the international interest rate level begins to fall again.

Another problem of central concern to the authorities is the State's large budget deficit. The cash deficit for the current fiscal year, ending on March 31, is now expected to be about Kr.12bn., rising to Kr.12.5bn. in 1977-78, while the total borrowing requirement will be about Kr.15.4bn. and Kr.16.8bn. respectively.

This year the Government introduced the sale of short- and medium-term Government bills to help finance the deficit, an innovation in Danish economic policy.

Another problem which is a matter for concern is the growth of the country's net foreign debt, which is now about Kr.38bn., or 14½ per cent of 1976 GNP. Assuming that the current balance of payments deficit is reduced in accordance with the "wise men's" scenario, the debt will remain about the same proportion of the national product, but in cash terms "will grow" to about average growth rate for the OECD of 4 per cent a year, merely financing this deficit is going to cost the country between Kr.4.5bn. a year in the next spring's collective wage agreements are fully signed, sealed and accepted by union members. However, Denmark has already succeeded in reducing the rate of increase in hourly wages from 20 per cent in 1977 to only 12 per cent this year, so a further reduction should also be attainable.

Denmark often seems to be in the throes of an economic crisis, nearly always as a consequence of an actual or potential run on the foreign exchange reserves, which are always slender. But the country has always so far managed to convince the international finance community that Denmark is a good investment.

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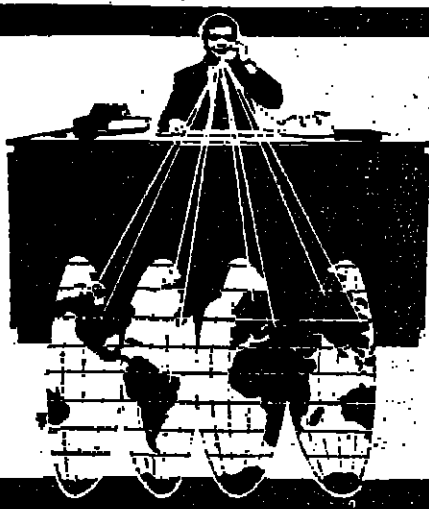
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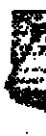
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## DENMARK III

## Clouds over industry

DANISH MANUFACTURING industry expects production to increase by 8.9 per cent in 1977, a welcome recovery after the 3.1 per cent fall in 1976 and a good start on the 3 per cent increase which it was forecasting at the beginning of the year. The rest of the picture is not bright. Domestic demand is weak, wage levels remain high and the prospects of limiting the 1977 increase to 8.9 per cent, a year on from the 1976 increase, are uncertain. Interest rates are high (14-18 per cent on overdrafts), the profit trend is downward and industry is now weakened with an energy tax. The 1977 increase is pinned on a genuine upturn in the export markets but already in the second half of this year the movement has tapered off.

The realistic judgment is that foreign markets will not offer the firm boost which the Danes are waiting for. The increase in output in 1977 came primarily in summer goods, in particular electronics, and to a lesser extent in investment goods and chemicals. The major problem in shipbuilding, where a serious employment crisis is feared for 1978 if new orders are not found.

Danish industry is heavily export-oriented. Of total production of 1976, 67.12 per cent, or 19.9bn. (19.9bn.) went abroad, amounting for just under 70 per cent of total Danish exports. Machinery and instruments came up close to 19.9bn. of the total, with ships and chemical products each around the 19.9bn. mark.

At the singular character of Danish industry is the uniqueness of the companies involved and their specialisation. The 6,712 registered in 1974 had less than 100 employees. Many of these companies are in the "niche" philosophy, producing advanced high-quality goods for specialised markets, frequently as sub-contractors for large foreign concerns. It is typical in this respect of electronics branch, where a company employing no more than 50 people may hold half

the world market for its particular product. For such products price elasticity is very low or even non-existent. Moreover, through the '60s and early '70s Danish companies were able to keep ahead of high labour costs by investing heavily in automatic control systems, frequently borrowing capital abroad for the purpose.

The recession has brought problems, with wage levels outpacing productivity. Investments in manufacturing fell by 25 per cent last year and the forecast for 1977 is for only a slight improvement. The Federation of Industries is hoping for a 15 per cent improvement in 1977 but that would still keep investments below the 1974 level in volume terms.

Efforts have been made to stimulate investment by temporary tax-deductible allowances of 20 per cent for machinery and 10 per cent for buildings. The machinery allowance falls to 10 per cent next year and expires at the end of 1977, while the building allowance lapses at the end of this year.

There is a consensus embracing even Social Democrat politicians and union leaders that profit levels in Danish industry have declined over the last three years to an unacceptable level. This belief was strengthened by the publication this autumn of three analyses of 1975 profits.

The Iron and Metal Industry Association reported bluntly that at prevailing interest rates expansion by its members would not be profitable, while the Financing Institute for Industry and Crafts noted that the return on total capital employed for the companies to which it lends fell in 1975 to the lowest level it had recorded. The Danish Statistical Office reported a 3 per cent rise in turnover among industrial companies in 1975 but a 7 per cent fall in pre-tax earnings.

The Federation of Industries is scheduled to propose a more flexible method for financing industry's long-term borrowing needs, while Mr. Per Hækkerup, Minister of Economy and Commerce, is understood to be pondering a plan of his own to

improve the flow of capital to industry.

The 6 per cent depreciation of the Danish krone on October 18, when adjustments were made to the parities of the currencies co-operating in the European "snake," was received with mixed feelings by Danish companies. The improvement in competitiveness on export markets was balanced by the 6 per cent increase in kroner terms of companies' foreign debts, but managers' main worry was that the depreciation might reinforce inflation and lead to further wage drift.

With export markets still sluggish and uncertain the incomes agreement posited by the "August compromise" among the political parties will be of vital importance for industry next year. If wage increases can be kept to the 6 per cent suggested, productivity should recover.

This year two branches in particular seem to have done well, one as expected, the other surprisingly. The textile industry, which went through a very bad period in 1974 and 1975, has seen output and profits pick up. Many of the textile companies are situated in West Jutland, which has been re-emerging as a development region with low unemployment, but this year its unemployment figures are among the lowest in the country. The key to the turnaround apparently lies in the flexibility of the small surviving companies which have abandoned mass production, concentrate on design and switch products and markets more often.

## Electronics

Electronics, the fastest growing sector in Danish industry, expects a growth rate of some 15 per cent this year or a 6.8 per cent in volume terms. It employs some 18,000 out of a total manufacturing labour force of 370,000 and exports over 70 per cent of its production to a value of Kr2.4bn. making it the third in sector export statistics. It is a young branch with young managers, has few labour

troubles because the production units are small and contact between workers and owners is frequently close. It is the branch above all others which pursues the "niche" philosophy, looking for specialised markets too small to attract the mass producers.

Largest among the Danish electronics companies is the prestigious Bang & Olufsen, the design of whose hi-fi, radio and TV products complements their high quality. The Sørmo company, a subsidiary of General Electric, specialises in two-way radio telephones and has a turnover of some Kr300m. (5530m.). More typical is a company like Dantysik, which employs only some 50 people, but sells isotope separators to the Max Planck Institute, the Massachusetts Institute of Technology and Moscow University; its turnover is probably not more than Kr10m. but it is a world leader in its particular market.

Dina Elektronik has just under half the world market for electrophysiology equipment as well as a significant presence in scientific research and industrial control equipment. Dansk Impuls, which produces runway visual range computer systems, co-operates with an American company which makes the equipment for the aircraft while the Danes concentrate on the airport end; it has 30-40 employees.

The Association of Electronics Manufacturers in Denmark lists close to 150 companies, the big majority extremely small but several of them exporting 80-90 per cent of their output. As with the rest of the Danish industry labour costs are a problem. The electronics companies need highly qualified staff but they also have highly rationalised production and low price elasticity for their products. The secret of Danish electronics success hitherto, however, lies in its power of innovation, the capacity to come up with new products for a specialised market.

For Danish shipbuilding the picture is grimmer. There has been a reduction in employment of about 25 per cent in the yards building new vessels, only marginally compensated for by an increase in numbers employed on

ship repairs. Unless new orders are obtained, the situation could deteriorate rapidly from next year.

The yards have been able to maintain a relatively high level of output in 1976 and the first half of this year thanks to orders placed earlier, but during the first three-quarters of this year new orders were placed for only 12 ships to a total of 157,000 dwt. With one exception all these orders came from Danish shipowners.

The order stock at the end of June totalled 71 ships, including barges and vessels for the Danish navy, of 2.7m. dwt against 87 ships totalling 5.9m. dwt at the end of 1974. Hardest hit has been the Odense-Lindø yard, designed to produce giant tankers. It had orders for two tankers of 495,000 dwt cancelled in 1975 and a further two reduced in size to 330,000 dwt.

Odense-Lindø, like the other Danish yards which are already heavily specialised, has been trying to diversify into the offshore oil equipment market (which is also sluggish) and to come up with new designs for smaller vessels. But the competition from Japanese yards is hurting badly.

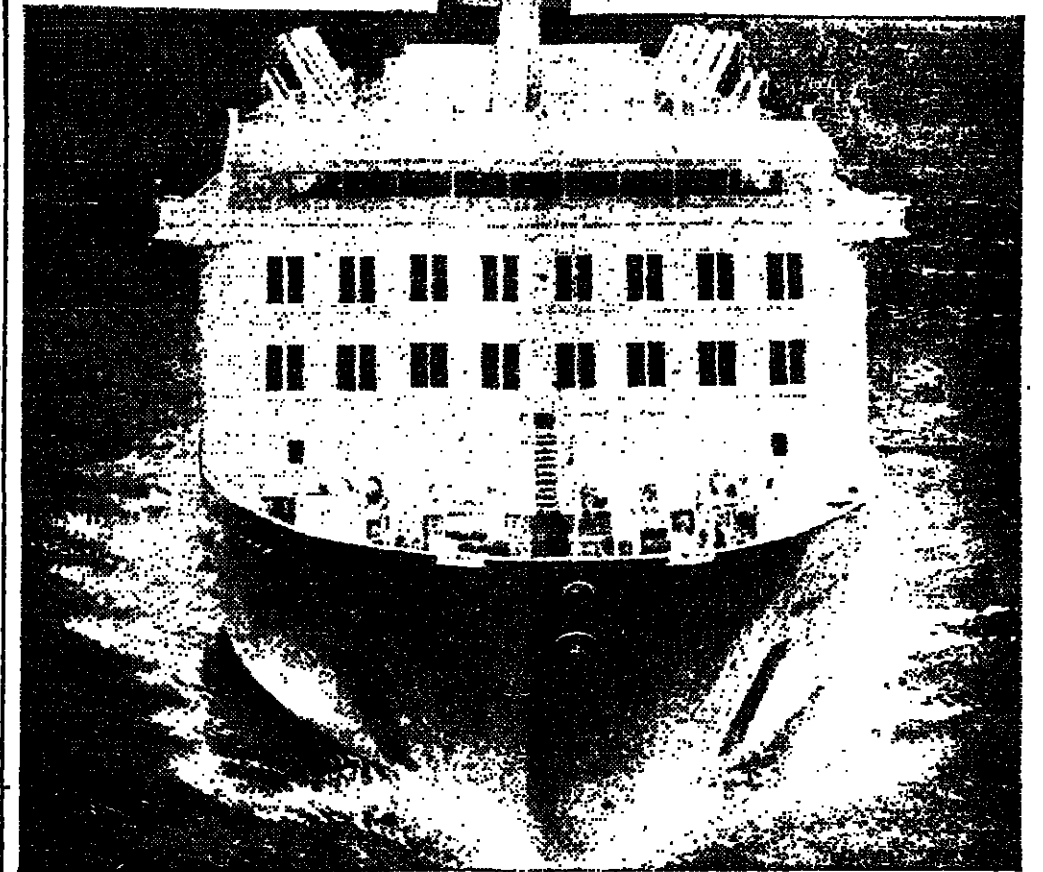
Danish shipowners have been placing many new orders with the Japanese, who will be departing a very much larger part of the new tonnage received by Danish owners in 1977 and 1978. In addition several of the Danish yards' traditional customers abroad have been switching orders to the low-price Japanese.

The maverick on the Danish shipbuilding scene is Mr. Jan Bonde Nielsen who bought control of the Burmeister and Wain shipyard and engine-building group in April 1974 after it had sustained losses amounting to close to 110m. This year Mr. Nielsen is anticipating earnings of 58-10m. for the group and also expects to make a profit next year.

He turned the company round by a drastic rationalisation programme which cut the yard capacity by half measured in man-hours and by re-organising the building programme to concentrate on a series of 14 bulk carriers of 60,000 tons sold at good prices. Only one of these orders has since been cancelled with a compensation fee of \$50m.

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## Farm exports

CONTINUED FROM PREVIOUS PAGE

The results of the disinvestment to retirement and new investment show up sharply in the pigmeat sector. "This year we could have sold a million pigs, but there is no incentive to the primary producers to do that," said Mr. Dyrhøj, head of the Danish Bacon Producers' Association. "We had another 2m. pigs last year, but we could not increase our exports, averaged about 58,000 tonnes a year between 1969 and 1973, but last year were up to 96,000 tonnes. A feature of 1976 butter exports is the decline in sales in the U.K., chiefly the Danes fear due to competition from German butter. In the first ten months of the year butter exports to the U.K. were down from 71,400 tonnes in 1975 to 61,800.

The German farmers receive higher monetary compensation amounts from the EEC Agricultural Fund than the Danes, giving them a competitive advantage in exporting to Britain, a problem which is seriously worrying the Danes, both farmers and Government. Cheese exports have also increased rapidly, from about 71,000 tonnes pre-Common Market membership to about 100,000 tonnes a year in 1975. Exports to the U.K. have risen and an old market which was lost during the EFTA years, has fallen over the past few years, but this is because of the new market has been opened up in the Middle East as well with

consumption, and the Danish exporters have been successful in making up the U.K. shortfall in third markets, especially the Continental EEC countries and Japan.

The two other major sectors for agricultural exports are dairy products and beef. Considerable export increases have been achieved for both over the past few years. Butter exports, averaged about 58,000 tonnes a year between 1969 and 1973, but last year were up to 96,000 tonnes. A feature of 1976 butter exports is the decline in sales in the U.K., chiefly the Danes fear due to competition from German butter. In the first ten months of the year butter exports to the U.K. were down from 71,400 tonnes in 1975 to 61,800.

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Iran, now the third most important market.

The dairy sector has a better intervention system and a higher degree of safety for the farmer than the pig and poultry or corn-based sectors, which has caused some switching of investment into dairying in Denmark. Beef and veal exports have risen from an average of about 77,000 tonnes a year prior to EEC membership to 128,000 same in 1976. Italy remains the largest market, despite interruptions to exports as a result of Italian restrictions, while the U.K. has become the second biggest market.

## Canning

The basic problems of Danish agriculture are also reflected in the state of the processing industry, of which the meat canning industry is the most significant, with exports worth a Kr1.6bn. last year. Good world prices for fresh pigmeat products has meant that the short-fall in pig production has hit the processing industry hardest. In 1972 the industry was taking 2m. pigs a year, while now it is only processing 2m. As a result total canned pigmeat exports have fallen from 193,000 tonnes in 1972 to about 130,000 tonnes to-day, with exports to the U.S. down from about 75,000 tonnes to 45,000 and to the U.K. from 71,000 tonnes to 58,000.

The canning industry is also beset by other problems, including high costs and competition from Eastern Europe. Danish wage costs are higher than in the U.S. or Britain. Devaluation of the dollar has affected exports not only to the U.S. but to other overseas markets. EEC membership raised the price of corn, and relatively to the U.S. raised the price of pigmeat for processing, especially as the EEC has reduced export restitution payments in response to American pressure. The problems have been exacerbated this year by a big increase of supply in pigs in America and Canada, driving down the price of the pigs on that side of the Atlantic.

The Danes, who with the Dutch once dominated the market for imported canned products in the U.S., have increasingly felt the competition from East European countries—first Poland, but latterly Yugoslavia, Hungary and Romania. The technical standards of the East European producers, thanks largely to American finance, is now comparable in this sector with Western Europe. Since 1972 Denmark's share of the declining U.S. market has thus fallen from about 44 per cent to 30 per cent and Holland's from about 30 per cent to 24 per cent.

Ideally the canning industry would like to switch away from the American market to Continental Europe, but it is proving a tough market to break into. Tastes are not the same as in the Anglo-American market, and they vary very much from region to region, making it difficult to produce and market a uniform product. There is also a highly developed processing industry in these countries with which the Danes must compete, and as both veterinary standards and wage costs are higher in Denmark the Danes have a long pull ahead of them.

In spite of the current difficulties the Danish farmers do not seem too discouraged about prospects. EEC membership has given them the big market they lacked before and this is a very crucial point. But developments in the EEC have not been quite as satisfactory as the Danish farmers would have wished. The divergence of exchange rates among member countries, the necessity for "green" exchange rates, and monetary compensation amounts have all distorted the market, as well as proving so costly that the future of the Common Agricultural Policy is sometimes questioned.

The revaluation of the German mark in relation to the other currencies is especially serious, having a two-fold effect. It gives the German farmers a "subsidy" in exporting to other member countries and it places a "tariff" of 9.3 per cent on Danish exports of agricultural products to Germany. Thus the Germans are beginning to make inroads into traditional Danish markets and the Danes are hindered in their efforts to obtain a larger share of the German market.

The agricultural organisations and the Government are pressing for an end to the system of monetary compensatory amounts in order to restore equal terms of competition (though as the Danes are the only country without significant national farm subsidies and the tax on agricultural land is a reverse subsidy, competition will still not be equal for the Danes). Not everyone in the business is able to appreciate the logic of the attitude to abolishing MCAs, however. This would mean a big increase in prices of Danish and other imported products for the U.K. consumer. A senior manager in one of the biggest canning companies said that the abolition of MCAs would be "a complete disaster. We would no longer be able to compete in the U.K. market."

Hilary Barnes  
Copenhagen Correspondent

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## DENMARK IV

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Ceiling checks  
bank advances

THE DANISH banking sector is in the middle of an interesting development, both technically and politically. On the technical side, the commercial and savings banks have introduced what they claim to be the most advanced payments mediation system in Europe, while individual banks are in the process of introducing on-line terminal accounting systems. Politically, the banking system is being forced to cope with the consequences of credit and incomes policy measures which have cut into their earnings ability and distorted the market for credit in ways which are not to the advantage of the banks.

Over a period lasting since 1969 the central bank has endeavoured to control credit expansion by the use of a ceiling on commercial and savings bank advances, but the authorities have not paid the same attention to controlling the other main source of credit supply, the mortgage finance institutions. The latter are a special Danish institution which do not have a parallel in other European countries. The mortgage institutions issue bonds on behalf of their customers, the home-builders, and they are (or were until this year) free to issue as many bonds as they like as long as they are secured against real estate.

The result of restricting bank credit but not the bond market is that the mortgage institutions to-day account for about 70 per cent of the supply of credit, whereas 20 years ago they accounted for only about 30 per cent. The banks and savings banks share of new credit has in the same period fallen from about 45 per cent to only 6 per cent. The problem has arisen, at least in part, out of the high priority which successive Governments have given to the housing sector.

Since 1969 the ceiling on advances has increasingly distorted the banks' operations. The ceiling is, of course, adjusted upwards from time to time, but the adjustments have been made at a much slower rate than either the rise in the price level or the growth in nominal national income.

As bank deposits have nevertheless grown rapidly, especially from the end of 1974 until this autumn (they rose by 35 per cent in 1975 and in the 12 months to August by about 24 per cent), the ceiling on advances has forced the banks to channel an increasing proportion of deposits into the bond market.

In 1975 commercial bank holdings of bonds actually doubled from about Kr.13bn. to about Kr.26bn. Over the past ten years bank bond holdings have increased from a sum equivalent to 15 per cent of bank advances to the equivalent of 50 per cent. The banks feel that they are being forced to become investment institutions to the detriment of their traditional banking business.

The policy has also raised other problems, as the ceiling has been accompanied by other measures which have had the effect of rationing credit. Advances for house building were for a long time excluded from the ceiling, and more recently the Government has in effect said that the banks must meet the demand for state-guaranteed student loans and loans to drought-hit farmers, measures which reduce the amount of credit available to other sectors.

The ceiling and its complications are unsatisfactory for the banks, but these measures do not as such affect bank earnings. The form in which the Government has applied incomes policy to the banks does. In 1975 an Act was passed which limits the spread between interest rates on deposits and advances to the average, for each individual bank, of the level in the three years of 1972-74. The difficulty with this arises because deposits have risen extremely rapidly, but advances have remained almost unchanged (though they have picked up in the past few months), so that earnings on all bank operations have been seriously squeezed. And each time the discount rate is raised, the damage to earnings is increased. This probably kept the Central Bank from raising the discount rate earlier in the year, but in October, when speculation over a revaluation of the West German mark caused a big run on the reserves, the rate was raised by two and a half per cent to a record 11 per cent. This was reduced to 10 per cent yesterday.

While the banks have to some extent been able to compensate their losses from deposit and lending operations through improved earnings from investments and foreign exchange dealings, the situation is that the banks are having considerable problems maintaining the legal minimum equity ratio, which is eight per cent, the highest in Europe.

It is again linked to two developments, the increase in deposits and, especially this year, the drop in bond prices. The unrealised losses on holdings of securities between the end of one year and the end of the next year go into the profit and loss account on the basis of the December 31 values. Last year, bond prices rose, so that although operating profits were not too satisfactory, the final profit figures were very high. This year bond prices have fallen drastically, more than wiping out last year's unrealised gains. Most banks will this year be in the position of recording either very modest profits or losses.

The Danish bankers are anxious to emphasise that this does not reflect on the financial solidity of the banks in the sense that their minimum



equity ratios are much higher than in most other countries, but as Mr. S. O. Soerensen, chairman of the Danish Bankers' Association, said at the Association's annual meeting last week, it will not help to inspire confidence in the Danish banks among the international banking community if they are all reporting losses for 1976. He added that confidence is required in order to help Denmark raise foreign exchange to cover its current balance of payments deficits.

## Challenge

The need to raise new capital has set the banks and savings banks a tough challenge. Two of the biggest savings banks have sought to raise capital by means of special certificates of deposit, carrying interest of 14 and 15 per cent. Several banks are seeking dispensations from the 8 per cent equity requirement in negotiations with the bank inspectorate. The law allows for dispensations for limited periods, and as bond prices are expected to improve again next year, the problems will gradually ease.

Copenhagen's Handelsbank and Den Danske Bank (formerly Landmandsbank) have chosen to issue loan stock abroad, both banks raising Kr.500m. by this means. This is a new departure for the Danish banks, but they judged the prospects of raising the money by making a traditional domestic share issue as being not worth trying.

Some of these problems will cease to be so acute if the State can bring down its large budget deficit, which has contributed to a rapid increase in the money supply and boosted bank deposits. A recovery of bond prices will also help the capitalisation problem. But as long as the law on interest spread continues to apply, and the politicians do not seem anxious to change it, the banks will continue to find it difficult to maintain a high enough level of earnings from which to finance their equity needs.

If one is looking for bankers in Copenhagen who feel happy with developments, one has to turn to the foreign bankers. On joining the EEC, Denmark liberalised its regulations on bank establishment and there are now five foreign banks with

per cent to 12 per cent. These are all basic achievements which impress foreign bankers. In 1977 it seems that incomes policy will be crucial to maintain the progress already made. In spite of the upsets on the labour market this autumn and the political crisis which emerged in the wake of the strikes, there is still good reason to think that good sense will prevail when the collective wage agreements have to be concluded. It usually has in Denmark's recent history.

**Economy**  
CONTINUED FROM PAGE 11

If successive governments have been able to maintain foreign confidence in the basic health of the economy it is because Denmark is basically stable and its economic policies usually sound. In recent years, for example, Governments have achieved a great success in limiting the increase in public sector growth and housing investment, which in the late 1960s was the chief threat to economic stability. Since 1973, the authorities have cut inflation from about 16 per cent a year to just over 8 per cent, and the rise in wage rates from 20

Hilary Barnes

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## The Management Page

EDITED BY JOHN ELLIOTT

MSL says that more U.K. executives are wanted abroad but PER disagrees. By Nicholas Leslie

## Job agencies clash on overseas demand

CONTINUED rise in demand for overseas executives has taken place in the third quarter of 1976 according to MSL, the management recruitment company. As a result, MSL overseas recruitment in the U.K. is 50 per cent above levels for the same time last year.

The survey comes just one month after Reward, a fourth-month survey of the executive recruitment market largely based on figures supplied by the recruitment company, Professional and Executive Recruitment, suggested that the number of executives moving overseas had dropped.

Although the fact of overseas executives in U.K. executives is in doubt, the disparity between the MSL and PER views makes it difficult to assess precisely how many people are moving overseas.

That there is such a disparity must be due mainly to the differing bases on which the two organisations draw their statistics. At the same time, they also tend to base their views on what they call a "feel" of the market, as well as statistics and it is here also that they are in some disagreement.

MSL's statistics are based on study of executive recruitment advertisements appearing in 16 U.K. publications, covering daily and weekly quality newspapers and professional publications in accountancy, engineering and construction. According to the company it counts a job only once it is advertised in more than one publication.

To be included in the MSL survey, jobs must be for a management or supervisory post requiring a qualification above NC standard and a salary above £3,000. The position could also have to be above that of the first level of supervisor.

On this basis, MSL says that in the third-quarter of this year, British executives moving overseas and pointed out that many



THREE THINGS have forced Leyland Cars to take a fresh look at its training policies—a new production drive, the trend towards greater industrial democracy and the current rate of unemployment. Since the publication of the Ryder Report last year Leyland has restructured its entire training system, placed it under central control and started a major reappraisal of future training needs.

Until last May there was little attempt to co-ordinate different company training schemes. Standards varied widely from one plant to another, and certain programmes were being needlessly duplicated — which amounted to a waste of both money and men.

One of the reasons for this was that responsibility for training had previously been divided between the various British Leyland divisions — Jaguar, Austin Morris, Rover Triumph — and the individual plants. There was little direction or involvement from the top.

But now the training department has been divided into four broad areas each of which is responsible for teaching different types of skills. All policy-making, planning and monitoring of courses is carried out centrally. A team of training managers who are responsible for the four new sectors has been set up at Haseley Manor — a castellated Victorian mansion in the Warwickshire countryside with easy access to Leyland plants in Birmingham, Oxford and Coventry.

One of the points emphasised in the Ryder report was the need for Leyland to improve its exports. Accordingly the company is planning to change many of its manufacturing processes over the next four years so as to meet foreign safety requirements and it also intends to bring out a number of new models.

As a result over 30,000 assembly workers will have to be retrained and it is estimated that this will cost about £13m. by 1980. Nearly all retraining will be done in the car plants and much of it will be carried out by foremen and other skilled workers. Labour costs

## Fresh approach at Leyland

BY SUE CAMERON

will be the most expensive item in the programme for as well as paying full-time training staff a number of men will have to be released from normal production line duties so that they can teach others.

People doing jobs that require particular dexterity or skill such as welding or painting are trained away from the main assembly lines and the company therefore has to buy extra equipment. It also has to write off the cost of car parts that are spoiled through the mistakes made during retraining.

In the past training for specific jobs was often rather haphazard but now courses are more structured and systematic. People have to master the basic skills before they are allowed to go on to the more difficult tasks and many programmes include an analysis of possible faults. Men are shown the mistakes they are likely to make and they are told what causes them and how they can be avoided.

## Main reason

Leyland's export drive, plus a general improvement in sales, is one of the main reasons why the company has more than doubled its intake of apprentices and graduates since last year.

Austin Morris, Jaguar, Rover Triumph and other divisions of the old British Leyland company used to recruit and train apprentices separately which meant they were sometimes in competition with each other. But now all recruiting is done centrally and whenever possible apprentices are also trained together.

Since the creation of the new group training department the staff have started carrying out a number of surveys designed to gauge future training needs. Last year for example one train-

ing survey showed that while the majority of foremen, senior foremen and superintendents were in the 45 to 50 age bracket, younger men were not being trained to take over on their retirement. A six month training course for foremen has therefore been set up to produce between 40 and 80 new supervisors each year.

Leyland Cars is also training managers and shop floor workers to take their seats on the company's 37 joint committees under its new three-tier participation scheme. One of the main aims of the training programme for committee members, agreed between Leyland and its unions, is to try to ensure that managers and the employee representatives nominated by the unions do not split themselves into two opposing factions. It was therefore decided that they should be trained together whenever possible.

An exception is made in the case of committee chairmen — all of them from the management side of the company — who are given some separate initial training. The need to do this became apparent when the committees were first set up a year ago and one or two of the

manager-chairmen made it clear that they were going to lay down the law themselves without making any attempt to find a consensus of opinion.

The main part of the participation training starts with basic studies in matters such as company procedure. Each participative committee then holds a "shake-down" meeting after which the members themselves decide on the further training they require.

Committee members also attend a series of seminars on business skills. Originally it was planned to separate the management and union members of the committees at this point on the grounds that the two groups would be unwilling to admit their problems and weaknesses in front of each other so discussion would become rather pointless. But both union and management representatives said that they did not want to be split up which suggests that the methods being used in the participation training programme are proving successful.

In addition there is separate shop steward training organised by the unions and held at colleges and universities around the country.

## Are you having problems getting on your big computer?



## BUSINESS PROBLEMS

BY OUR LEGAL STAFF

## Unsaleable premises

In 1972 we closed down our garage business and since then have been trying to sell the premises, but have been unable to do so because no change of use was permitted. The latest offer was from a firm of radio and television repairers and we propose to appeal against the refusal of change of use in this case. Now the local authority is demanding rates on the property, empty because of their activities. Have we no redress? Can the authority be forced to purchase the property? What do you advise?

The course which you have in fact adopted is the most useful one, that is to appeal against the refusal of planning permission. The rating authority can charge the empty property to rates; hence the need to challenge the planning authority's refusal of permission to change the use. Until the planning procedure has been exhausted your property cannot be said to be unsaleable. It may be possible to seek permission for development in circumstances in which the planning authority would have to pay compensation if permission is refused, that is if you can bring your case within Parts VII or VIII of the Town and Country Planning Act 1971. You should consult your planning advisers about this.

## An allowable loss

Two years ago I bought 1,500 shares in XYZ company for £1,200. Recently I sold for £900 and closed the deal in the same account for £800, so making a profit of £100. If I sell my shares for less than £1,000 during the current tax year shall I be able to claim an allowable loss?

The sale proceeds of stocks and shares count towards the £1,000 exemption limit regardless of any acquisition within the account. However, the £1,000 exemption limit does not operate to a taxpayer's disadvantage if he has incurred losses. The £300 loss which you incurred on the sale for £900 will therefore be allowable against chargeable gains in later years even if no other sales are made during the current tax year.

## Agent and principal

Could you tell me how in law to distinguish between an agent and a principal? Because someone is described as an agent, for example, a news agent, does this make him one?

Newsagents are not normally agents in law: the description is a commercial custom. An agent, in law, is one who acts on behalf of another (the principal)—thus an estate agent acts on behalf of a person (usually the proposing vendor) in procuring a sale and purchase of real property.

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WEDNESDAY, DECEMBER 3, 1976

## Tight money on the way

THE BALANCE of payments by over £900m. in the second quarter for the third quarter are interesting chiefly because they reflect a reduction in the pressure on sterling during much of the period and because they show every clearly why we need further assistance from the International Monetary Fund. The fact that the deficit on the visible trade increased somewhat was already known from the monthly trade figures and is mainly due to a drop in the volume of exports: export and import prices rose by much the same amount. The net surplus on invisibles, however, improved, with a £50m. increase in net earnings on travel, because the lower exchange rate encouraged visitors to this country and discouraged U.K. citizens from taking their holidays abroad: the signs are that this source of income has continued at a high level in the current quarter. Invisible income from miscellaneous services was also higher and the current account deficit as a whole, seasonally adjusted, rose from £533m. in the second quarter to £637m. in the third.

If the current account was worse, however, the capital account was considerably better, with a net outflow of £407m. against no less than £1,362m. in the second quarter. This was primarily due to smaller withdrawals of official sterling balances and to a reduction in the size of leads and lags in the normal pattern of commercial payments. The total balance to be financed, therefore, fell from £1,924m. to £848m.

## £ balances

Only £47m. of this was financed by drawing on the official reserve. Various public sector bodies borrowed another £492m. abroad under the exchange guarantee scheme and another £309m. was drawn on the £5.3bn. short-term credit from overseas central banks: this brought the total drawn, which will have to be repaid some time before the new IMF credit is actually available, to \$1,545m. It is worth stressing the point that our need for an IMF credit is not due only to the continuing deficit on current account. The exchange reserves in sterling of foreign governments were drawn down by £355m. in the third quarter after having been drawn down

## The slowdown in the U.S. economy

ALTHOUGH there is no good reason to fear that the new U.S. Administration will be isolationist or inward-looking, it is increasingly clear that the most pressing preoccupation of Mr. Jimmy Carter when he takes office on January 20 will be the domestic American economy. Ever since the turn of the year the recovery from recession has gradually slowed down, and the latest indicators point to a further deceleration.

Compared with a 9 per cent. annual growth rate in the first quarter of this year, Mr. Alan Greenspan, the chairman of the Council of Economic Advisors, has now revised his forecast for the final quarter sharply downwards, from 5 per cent. to possibly as little as 3 per cent. at an annual rate. Unemployment has risen again, to 8.1 per cent. of the labour force, its highest level so far this year; yet at the same time the increase of 0.6 per cent. in the wholesale price increase suggests that the inflation rate, while considerably lower than in the U.K., may be moving up again.

## Federal Reserve

In contrast to the Ford Administration, the President-elect has publicly laid greater stress on the need to stimulate growth and reduce unemployment, than on the fight against inflation. Until recently, it looked as though this order of priorities might take him on a collision course with the Federal Reserve Board, whose chairman, Dr. Arthur Burns, has consistently followed a firm line on monetary policy. It now appears, however, as if the fading of the recovery has helped bring Dr. Burns round more to Mr. Carter's way of thinking: last month Dr. Burns endorsed the President-elect's target of achieving a 6 per cent. growth rate next year, and of reducing unemployment to 6.5 per cent., and more recently there have been distinct signs of an easing of the Fed's monetary policy.

The dilemma of American economic policy-makers lies in the two-month gap between election and inauguration day, which makes it impracticable for either the outgoing or the incoming President to take effective action. The uncertainty that this creates can only be exacerbated by the incoherence of Mr. Carter and his associates: the recent steel price increases were partly triggered off by rather general allusions on Mr. Carter's part to the possibility of price controls, and while he is now publicly denying any intention of seeking wage and price control powers, fears that he may yet do so could precipitate additional price increases.

## Hanging fire

Whether Mr. Carter's target of a 6 per cent. growth rate in 1977 is still attainable, in view of the downward revision of the estimates for the current quarter, must be in some doubt, even if he cuts tax rates and boosts employment by housing and other programmes, as he is widely expected to do. At all events, the director-designate of the Office of Management and Budget, Mr. Bert Lance, has publicly admitted that it will be "very difficult" to get the unemployment rate down to 6.5 per cent. next year. But if the economy is still hanging fire when Mr. Carter takes office in six weeks' time, the chances must be that he will go for a bigger rather than a smaller stimulus.

By that time, his Administration will have one important piece of information which could have a critical significance for the economic prospects, not merely in the U.S. but also in the rest of the world: the decision of the forthcoming Opec meeting on oil prices. America is now heavily dependent on imported oil, and until it is clear what is going to happen to oil prices, it will be very difficult for Washington to frame an appropriate economic policy.

From Paris, ROBERT MAUTHNER assesses the consequences of M. Chirac's advent as Gaullist

## Giscard faces sharpened political conflicts

THE CROWNING OF M. Jacques Chirac as the new Gaullist emperor last Sunday marks the beginning of a new period of tension and strife in France. It could well produce major political upheaval and undermine the country's long-term economic recovery.

Thanks to M. Chirac and his followers French politics has again become polarised to an excessive degree in spite of J'Estimais's efforts to prevent it. The President has exhorted his countrymen to give priority to the solution of their serious economic problems, but his appeals have had a lukewarm response. What people are really interested in is whether or not the Socialist-Communist Union of the Left will win the general election in 1978.

It is the rapidly growing popularity of the Left in the public opinion polls and its success in recent local and Parliamentary by-elections which have brought matters to a head. The Socialist Party, in particular, has the wind in its sails. Credited with more than 30 per cent. of the popular vote by public opinion polls and victorious in two of seven by-elections last month in which Socialist candidates ousted incumbents from M. Giscard's Independent Republican Party, the Socialists can currently claim to be the strongest political movement in the country. The Communists, it is true, have been losing ground, but not enough to undermine seriously the Left's prospects of winning both the municipal elections in the spring of 1977, and the general election in the following year.

A politician to his fingertips, M. Chirac, while he was Prime Minister, repeatedly warned the President against taking too lightly the progress of the Left. It was the President's failure to launch an all-out campaign against the Left which led M. Chirac to resign last August.

In an unprecedented statement after his resignation, M. Chirac accused the President of denying him the necessary authority to organise the coalition parties into an effective fighting force which could defeat the Union of the Left. Things were not quite as simple as that, of course. M. Chirac had also demanded early elections which, he claimed, would have boosted the coalition's chances. His whole strategy implied that the Gaullists would be the spearhead of the Government forces.

President Giscard, on the other hand, has always taken a much longer-term view of the situation. Elected on a reform programme, he hoped that his own followers, the Independent Republicans and other parties of the centre, would organise themselves into a coherent and powerful liberal movement which would attract support

from both the moderate Left and Right. France wants to be governed from the centre, he has repeatedly proclaimed. There are many who believe that he will be proved right in the long run, but events over the past two years have made it increasingly improbable that it will be the choice of the voters in 1978. Even those who are naturally inclined to vote for a liberal reform party will tend to opt for a more extreme solution as long as they are presented with a stark choice between Right and Left. To put it more crudely, a victory of the centre in France is credible only when the Left is weak.

With hindsight, it would probably have been better for President Giscard to have dissolved the National Assembly immediately after his own election in May 1974, when his personal popularity and support for his policies were at their zenith. That would certainly have been risky, given the closeness of the vote in the presidential election but there was more than an even chance that a general election would have strengthened his support in Parliament.

## Heavy price to pay

In complete disarray following the defeat of their own candidate, M. Jacques Chaban-Delmas, the Gaullists would probably have lost a large number of seats and with them their power to thwart the President. President Giscard chose the simpler solution of allying himself with the Gaullists and appointing one of their number as Prime Minister, not least because M. Chirac had supported him during the presidential election campaign.

The price he has had to pay has been heavy. Though a number of important social reforms have been put on the statute book, the Gaullists have become increasingly critical of the President's policies and his relaxed methods of government. Apart from his refusal to dramatise the political situation, M. Giscard has been accused of undermining the hallowed Gaullist principle of national independence by adopting a more Nato-oriented defence policy, and by his support for direct elections to the European Parliament. His proposals for a capital gains tax were heavily watered down in the National Assembly last summer, and it is doubtful whether any further major Giscardian reforms will be passed by the present Parliament.

While it is true that M. Chirac, in his inaugural speech after his triumphal election as president of a rejuvenated Gaullist party, now called the Rassemblement pour la République (Rally for the Republic), emphasised that the President of the Republic was



M. Chirac acknowledges the applause at the Gaullist rally that made him leader of the party once led by Gen. de Gaulle and President Pompidou, whose portraits loom behind him.

the centre-piece of the French political system, and that the Gaullists would remain members of the coalition, his statement must be taken with a large pinch of salt. The Gaullists already are on record with their intention to oppose not only parliamentary ratification of direct elections to the European Parliament, but also the ratification of the changes in the IMF statutes agreed on in Kingston, Jamaica in January of this year. The proposals conflict with the Gaullist addition to fixed exchange rates.

Indeed, according to one school of thought, they might well take matters so far that President Giscard will be forced to dissolve the Assembly many months ahead of the official date for the next general election. The crunch is likely to come some time in the late spring or the early summer next year, but it is clear that M. Chirac will tailor his tactics to the state of public opinion at the time. If he provokes a general election at the wrong moment, it will hardly favour the Gaullists' own prospects of surviving as a major political force, to say nothing of those of the other coalition partners.

The President's political advisers are hoping that M. Chirac will quickly realise the folly of leading the Gaullists into opposition on two fronts. Having set as the Gaullists' main target the defeat of the Left, which presupposes a joint effort by all the coalition parties, it would be illogical for him to provoke an irreparable split in the Government's forces, they claim.

Illogical perhaps, but even French politicians are not exactly celebrated for their respect for cartesian principles. How

M. Chirac is going to reconcile his avowed aim of supporting the Government, while at the same time strongly reasserting the Gaullists' separate identity, is one of the great conundrums of present-day French politics. It will certainly require a tight-rope act of extraordinary skill. The stakes are high, for M. Chirac's chances of becoming President of France in 1981—and no one doubts that to be his ultimate aim—depend very much on the Gaullists' performance at the next general election.

It is easy, given the President's present attitude, to underestimate his political acumen. But those who do so on a year-on-year basis to reach its pre-1975 recession level by September this year, and while achieving more with a rapid turnover of consumer goods than with heavy artillery, a short time ago as last year, following M. Chirac's resignation, he turned an extremely damaging setback into his own advantage. The appointment of M. Raymond Barre, well-known economist and loose links with the Gaullist movement, to be M. Chirac's successor, was a political master-stroke which earned even the Gaullists' grudging admiration. The benefits may have been short-lived, but they do indicate that President Giscard is capable of making a come-back when all appears lost.

Certainly, his argument that economic problems require priority treatment is one that even the Gaullists cannot contest, given the deterioration in the situation over the past few months. From a purely political point of view alone, it is clear that the present coalition, including the Gaullists, cannot

of oil products in anticipation of Opec price increases. Though the fast expansion of the economy in the first half of this year has led to a modest reduction of employment, the thousands of school-leavers coming on to the market autumn have again a small number of workless to their lot.

Faced with this stark new Government, led by Barre put on the brakes early autumn. Industries were frozen until the end of the year, public sector pay reductions until April 1977, and a beginning of new guidelines were set, and wage increases of more than 6.5 per cent. in doubt. M. Barre wanted wages as well, but was far from doing so for reasons.

The full effects of the plan are not expected through until early next year, but results up to date have been very encouraging, the least. The overall index, which could be expected to respond to the freeze imposed beginning of October, is to do so. In October it went up again by 0.8 per cent. as a result, mainly, of the services sector, ants, cafes, hairdressing, shoekeepers) to reap price regulations.

Meanwhile, the expected slow-down in the economic recovery has had an adverse impact on business climate in the motor and industries as a whole. Booming, order books for semi-finished goods fell in the first half of the year, and investments were more than 50,000 will be laid off by the end of the year, the situation is critical. The climate is from satisfactory in the chemical and construction industries.

Though M. Barre has rejected suggestions, Government should give stimulus to the economy the effects of his anti-measures have even on himself felt, he cannot out that a number of his own suggestions may be adopted early next year. The economic picture is far from bright, and Giscard and his supporters are equally vulnerable fronts. Since the President's resignation, the economic picture will have little credit on it if he fails in this dice are thus loaded against him, and the time that he is becoming desperately

## Inflation rate

The rate of inflation, as expected, rose to 15.9 per cent. in the third quarter, some 1.5 points above the year-level, unacceptable high given the fact that inflation in West Germany, France's main trading partner, is less than half as great. The trade deficit, which was expected earlier this year to total no more than Frs.50m. (about £60m.) in 1976, will probably reach Frs.200m. thanks to the heavy devaluation of the franc (15 per cent. against the D-Mark) since January of this year, rising prices for imported materials, and massive imports

## MEN AND MATTERS

## Checking on the SEC

David Macdonald agreed last night that mention of the tough American Securities and Exchange Commission tended to provoke pained expressions among City people. Early next year, between leaving merchant bankers Hill Samuel and taking up his new job as director-general of the City-Takeover Panel, Macdonald plans to visit New York, Washington and Toronto. He intends to include the U.S. and Canadian SEC bodies on his itinerary to "have a look at them on the ground and learn just what the reason is for those pained faces."

Not that the experience is likely to change Macdonald's conviction, widely shared among his colleagues, that self-regulation remains the best way to police the Square Mile. Macdonald is the fourth director-general the Panel has had since its inception in the late 1960s, and his background brings the score to three merchant bankers against one accountant, the last being the present incumbent, Martin Harris.

Harris will have done almost two and a half years as the Panel's executive head by the time he leaves. He came from accounts at Price Waterhouse, though whether he returns there is uncertain. Macdonald, 40, plans to do two years, or only a little more, at the Panel and then to return to Hill Samuel where he has headed the corporate finance side for the past six years. He trained as a solicitor in Slaughter and May, the old firm of Sir Robert Clark, now Hill Samuel, group chief executive who recruited Macdonald. The latter's banking career has had its unusual aspects: in 1971 he was involved in the emotional Upper Clyde Shipbuilders' situation as one of the "three wise men" appointed by the Conservative Government to advise on the restructuring of U.C.S. In the more sedate environs of the City, Macdonald has been chairman since 1975 of the Issuing Houses' Association.

That gives him a seat on the panel and put him at the head of the working party which recently issued the fourth rewriting of the code itself. His Hill Samuel work has inevitably led to his appearance before the executive, and he has been before the whole panel, always reckoned an awesome experience; he has not so far been on a losing side.

little uncertain at present. The next generation's only representative to date is the managing director's five-year-old son. With all the talk of diamonds, Van Moppes had to admit yesterday that security restraints prevented anyone having a peek at the real thing in the new London office: "There's not a diamond on the premises."



"But if we take out all the four-letter words it'll be an instrumental!"

## Back to Garden

Hutton Garden is synonymous with the diamond trade, so it seems only reasonable that the L. M. Van Moppes business, in diamonds since Louis Van Moppes arrived in Britain from Holland in 1893, should have an office there. In fact, the company was advised to leave the area at the start of the last war, and only returned this week to take a few pleasant but not opulent rooms in a new block.

Nicholas Van Moppes, the present managing director and great grandson of the founder, explained yesterday that the company settled in Basingstoke, and for years diamond customers were generally people with the time to travel, out to Hampshire.

Now, however, most business people have little time to Sir John Read, chairman of the EMI, did not actually capital essential again. Van Moppes, part of the Unicorn Industries group (formerly Unilever Grinding Wheel) manufactures industrial diamond products and trades in whole diamonds and diamond powders. The latter is the specialty of Nicholas Van Moppes, who said that customers tended to prefer Sex Pistols rock group, who have a two-year £40,000 record contract with EMI.

Yesterday's explanations by the future of the Van Moppes EMI—the company is now considering whether or not to sever

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The Merchant Navy  
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Their pension  
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## Read, digest

Heard about the big game hunter who died suddenly while on safari? Something he disagreed with ate him.

Observer



A strategy of restructuring Britain's industrial truck industry is being pursued by two leading companies. Kenneth Gooding reports.

# Round of mergers among forklift makers

FIRST sight it would seem to the Government's industrial strategy programme has already a tremendous impact on the industrial truck (forklift) industry. After all, still unpublished strategy report from the industry's Little Noddy concluded: "There is need to achieve a more effective restructuring of the British-owned sector of the industrial truck industry, enabling it to be a more effective force in the world markets through the use of the industry's financial, production, marketing and manpower resources."

Since that was written in May, there has been a spurt of activity among the British companies. Lansing Bagnall and nley Forklift announced a merger. Then last week, Conveyancer said in a convoluted terms, it was also looking at a possible merger.

Years ago, an unpublished report by the Industrial Reorganisation Corporation recommended rationalisation for the industry in exactly the same way as the Little Noddy. A suggestion was that a British group should be formed which would within a few years have an annual capacity of at least 10,000 trucks, compared with the then capacities of the British manufacturers of 300 to 2,000 a year.

But the truth is that what is happening in this industry has much more to do with the personalities of the managers involved, with intense, somewhat fanatical, rivalry between some of the companies rather than any

trustful view of "what is good for Britain".

The event which set off the current manoeuvres was the Government's financial rescue of British Leyland last September. Tucked away inside its Special Products division, Leyland's Coventry Climax, an industrial truck company with good products, a respectable £20m. of turnover but one which has been starved of expansion funds over the years as Leyland's ever-hungry car division devoured all the available spare cash.

Given financial breathing space, Climax has taken up an aggressive expansionist posture which, not surprisingly, mirrors exactly the personality of Mr. David Abell, the 33-year-old chief executive of Special Products.

Side-loading

Only a few months after Leyland was taken over by the National Enterprise Board, Mr. Abell announced a five-year investment programme for Climax aimed at doubling its capacity to 5,000 units a year by 1980. And £450,000 was spent acquiring the assets of Joshua Shaw & Bailey, a purchase which closed a glaring gap in the Climax range for side-loading trucks.

Shaw was primarily concerned with making side-loading trucks. (Industrial trucks can be mainly classified as "counterbalanced" or "reach" trucks which have the carrying equipment at the front, and "side-loading" which are used for lifting heavy loads and large loads, the kind which would either tip a truck forward or prevent the driver seeing where he is going if carried at the front.)

One factory has been closed and the company is currently in the process of negotiating a 220 (or 12½ per cent.) reduction in its 1,600 workforce.

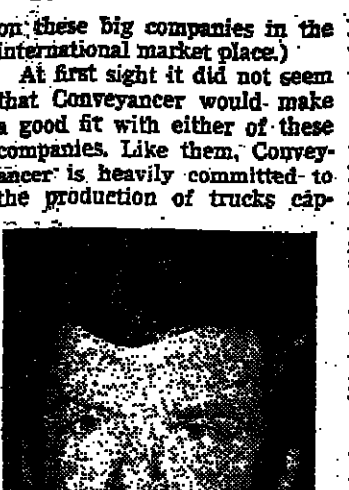
Mr. Owen believed that Conveyancer should be back into profit next year, but he judged on these big companies in the international market place.

At first sight it did not seem that Conveyancer would make a good fit with either of these companies. Like them, Conveyancer is heavily committed to the production of trucks cap-

able of lifting loads between 3,000 lb and 10,000 lb, the part of the market where demand is strongest.

So the fact that Conveyancer looks like ending up as a partner, not of the independent, privately-owned Lansing Bagnall, but of the NEB-controlled Climax immediately leads to the thought that perhaps the Department of Industry persuaded the NEB to "lean" a little on Climax which, in turn, could be going into the deal against its better judgment.

Certainly Mr. Abell of Climax was at first not at all interested in Conveyancer. But then Owen approached him personally and persuaded him to take a Climax management team to the main Conveyancer factory at War-



Sir Emmanuel Kaye and Mr. David Abell: digesting the first merger.

have some preliminary chats with the Conveyancer executives.

That visit changed Mr. Abell's mind. Within four days he had informed the NEB's chairman Lord Ryder that the announcement about serious talks would have to be made. This was the first time that Lord Ryder or the NEB became involved.

There were several things which particularly impressed the Climax team at the Conveyancer plant. The factory itself was well-equipped and built only in 1956.

Then on closer examination, according to Mr. Abell, the range of products was much more complementary than it at first appeared with Conveyancer being more strongly represented in the 3,000 lb to 6,000 lb trucks and Climax more powerful in the 6,000 lb to 10,000 lb range.

If a deal is worked out there is almost certain to be some industry Act money made available to help the companies over the first months of the merger. This would carry a low rate of interest, whereas any cash from the NEB has to be borrowed at commercial rates.

a big order from Russia for side-loaders are completed—while Lansing Bagnall is right in line with the industry average and exports 40 per cent.

However, the independently-minded Sir Emmanuel Kaye probably never gave more than a passing thought to the idea that he might approach the Department of Industry for an industry Act loan.

Unfashionable

Even with Lansing Bagnall merged with Henley and Climax with Conveyancer, the U.K. industry will still be represented by comparative minnows in a sea full of pretty sharks. In no way will these companies compare in size with the industrial truck operations of Caterpillar, Eaton (the Yale truck makers), Clark Equipment, Hyster of the U.S. or of Komatsu and Toyota of Japan which each have capacities anywhere from 35,000 to 50,000 units a year.

Now the fashion for restructuring has been set among the U.K. groups it could continue for some while—once Climax and Lansing Bagnall have digested the first mergers.

try, an industry which employs about 14,000 people producing fork lift and other trucks worth around £106m. a year.

The Little Noddy insisted that structural change is a central issue in the industry. "It would have been possible to tackle a variety of other issues identified as inhibiting growth, but without attention to this over-riding issue, the likelihood of achieving a stronger industry would be low."

It suggested that both financial support (through the injection of working capital and long-term capital) and a degree of corporate rationalisation (by merger or other means) are necessary if the British-owned industrial truck industry is to meet foreign competition, maintain its export performance and strengthen its position.

The underlying problem is the industry's fragmentation—there are a dozen U.K. industrial truck companies whereas the other industrialised countries have only a few each. In the U.S. only five predominate and France has only one.

Although the individual companies are reasonably efficient and have good labour relations, they tend to be under-capitalised and certainly the industry needs to standardise more the components it uses and reduce the number of brand name models.

The Little Noddy insisted that the need for restructuring was urgent and that the companies should, as far as possible be left to achieve the necessary results themselves. So far everything seems to be going according to plan. And the signs are that the next dramatic change in the industry is not too far away.

## Letters to the Editor

### Current cost accounting

Mr. D. Essex.

If the directors consider the substance of the business to be its productive capacity, the striking distributable profit in the appropriation account, they will have to reverse any adjustments made in the profit and loss account to the depreciation of modern equipment or costs for differences in operating life. Under current cost accounting (CCA), there is no gain to the owner as a replacement house would also cost £20,000. There can be no disagreement with this simple example. But this is only dealing with the accounting of the asset. CCA pays no regard to the financing of the asset. If the house owner had taken an 80 per cent. mortgage to finance the purchase and had after, say, 10 years repaid one-third of the loan he has a very real gain indeed in periods of high inflation. His monetary liability in constant pounds has decreased and his real equity has increased.

### Understated profits

Mr. R. Harris.

I hope that it is not a truism that I am unable to understand why the Morpheus committee proposes that it should be optional whether a company adjusts the value of its fixed assets and liabilities to reflect inflation. If it does not, this adjustment to profits is likely to be seriously understated and its shares correspondingly undervalued on the Stock Exchange.

his could lead to the company being taken over at less than its real value, as often happened in the 1950s, before serious realisation of the importance of price/earnings ratios. This would mean bigger golden handshakes for some directors, but it would hardly be in the interests of shareholders or employees.

There would appear to be a technical problem involved in adjusting the value of assets and liabilities by the index of Retail Prices. It should be made compulsory for companies to do so.

### Phah small and ekel great

Mr. Dr. J. C. O'Neill.

If the Inflation Accounting Review Group under the chairmanship of Mr. D. S. Phipps is operations enough to number its thirteenth draft 14 and matters, December 17, seventeenth draft numbered needs to be examined with care. Those who believe that God who punishes our third attempt but will not if we call it 14 are likely to be more serious matters to give advice.

nd so it turns out. The estimate man's proneness to error. On their system of current accounting the company is to strike its own valuation, the current replacement cost, of submitting to others' judgment of the current purchase power of its assets.

It is wise to open new ways making the ephab small and shekel great and for dealing stiffly with false balances.

O'Neill.

Professor of New Testament, Cambridge College, Cambridge.

### Not a balanced view

Mr. E. M. O'Regan.

—Sandilands was critical on the treatment of monetary assets and liabilities. The path he adopted is a more liberal stance on monetary assets but otherwise has sanctified Sandilands.

In the partial canonisation of Sandilands as a minor saint of modern finance, there is a total disregard of the real situation of most reasonable or heavily capital intensive businesses, the nature of their assets, which often have international values totally unrelated to any U.K. index of replacement value, or the method of finance of such assets.

Douglas Morpheus's article (December 1) gives the example of a house purchased some time ago for £10,000 and now worth £20,000. Under current cost accounting (CCA), there is no gain to the owner as a replacement house would also cost £20,000. There can be no disagreement with this simple example. But this is only dealing with the accounting of the asset. CCA pays no regard to the financing of the asset. If the house owner had taken an 80 per cent. mortgage to finance the purchase and had after, say, 10 years repaid one-third of the loan he has a very real gain indeed in periods of high inflation. His monetary liability in constant pounds has decreased and his real equity has increased.

### Closed shops

From Mr. J. Gore-Brown.

Sir,—You state (December 1) that "the trade unions believe that the negotiation of closed shop agreements is a legitimate and effective means of advancing their members' interests." I wonder if that is entirely true. Traditionally, two of the most important functions of the shop steward are to recruit new members and collect union dues. With a closed shop both these functions tend to disappear because union membership becomes compulsory and because a system of docking union dues automatically from pay packets becomes simpler to administer. In effect the shop steward loses two important points of contact with the members. Some people think that this development could lead to a decline in the authority of the unions over its members.

Thus from a managerial point of view a closed shop may lead to better relations with the union but it does not follow that there is necessarily an improvement in relations with the workforce as a whole.

My own view is that when a union or unions can demonstrate that more than 90 per cent. of employees in any one undertaking are "closed shop" is a legitimate demand. It may not be a sensible demand from the union point of view but it is legitimate. I can well understand the frustration of a hard-working union official successfully negotiating a series of benefits for employees who are not members of his union. It amounts to an oppressive action by a minority. Indeed there is a parallel in the Companies Act which states that when a company owns 90 per cent. of the shares in another company it can compulsorily purchase the remainder. Most would regard this as good law and I don't see why a similar arrangement should not apply to closed shops. To my mind, however, the legitimacy of any demand for a closed shop disappears if less than 80 per cent. of the employees are union members.

James Gore-Brown.

10, Remington House, Remington Court Place, W.S.

### The miners' pensions

From Mr. R. Ross.

Sir,—As you know, the National Union of Mineworkers has indicated the miners' desire to retire at age 60 from next January and eventually (by 1980) to retire at age 55. If I understand the situation correctly, it also appears that the object of the Union is that its members should retire without loss of earnings, which presumably means on a pension equal to 100 per cent. retirement pay. The National Coal Board has rejected this demand and the NUM is to ballot its members.

During various comments about the negotiations nowhere have I seen any mention of the likely attitude of the Inland Revenue Superannuation Funds Office. It is conceivable that it would be prepared to agree to a retirement age as early as 55, but might be more realistic, nevertheless as far as the SFO is concerned. Because of the various taxation disadvantages if the pension fund is not Revenue-

### Drinking and driving

From The Chief Executive, Bedford, Bedford.

Sir,—While I was very interested in John Phillips' article on "Drinking and Driving" (Dec. 4), I think your readers should know that there is at least one other interpretation of the effect of the Rehabil-

tation of Offenders Act upon drink/driving offences and if they accept this advice "in toto" they could be in trouble with their insurers.

The Road Traffic Act, 1972, as amended by the Road Traffic Act, 1974, provides that for the breathalysers (and related) convictions there is, among other penalties, an obligatory endorsement of the offender's licence for 11 years. Section 5(8) of the Rehabilitation of Offenders Act provides that:

"Where in respect of a conviction an order was made imposing on the person convicted any disqualification, disability, prohibition or other penalty, the rehabilitation period applicable to the sentence shall be a period beginning with the date of conviction and ending on the date on which the disqualification, disability, prohibition or penalty (as the case may be) ceases to have effect."

### Company cars

From Mr. J. Locke.

Sir,—The figures quoted by Mr. J. Tennent on company cars (November 30), are highly inaccurate. It is simply not correct to calculate depreciation at a rate appropriate to a period of nil inflation on the one hand, and on the other to assume interest rates which are appropriate to a period of high inflation. Over the last two or three years annual depreciation has been substantially less than the 20 per cent. quoted by Mr. Tennent, owing to the increase in second-hand values caused by inflation. The figure of 20 per cent. is roughly the amount of depreciation based on replacement cost (that is, "real" depreciation). This is certainly more realistic, but should be combined with "real" interest of 2 per cent. or 3 per cent. not the 17 per cent. used in the calculations.

The amounts included for maintenance and other costs were excessively high. Recent figures published in the motor trade Press suggest that Mr. Tennent's costs are at least 100 per cent. overstated on this point, and in total by perhaps 60 per cent.

J. E. Locke.

"Jesmond," 14 Watlington Road, Beaconsfield, Bucks.

## To-day's Events

GENERAL

International Monetary Fund holds gold auction, Washington.

Scottish UIC delegation discuss industrial problems with Prime Minister and Cabinet members.

EEC Commission meets, Brussels, and is expected to announce measures to aid European steel industry.

First day of miners' ballot on early retirement.

BBC annual report and accounts.

Mr. Anthony Wedgwood Benn, Energy Secretary, addresses public meeting of Battersea Labour Party, Town Hall, 7.30 p.m.

Final day of Financial Times conference, Oil in Deeper Waters, a one-day conference organised by Development Corporation for offshore international exhibitors, National Exhibition Centre, a.m.

Birmingham (until December 10).

Annual meeting of Newham North-East Labour Party (constituency of Mr. Reg Prentice, Minister for Overseas Development).

Confederation of Shipbuilding and Engineering Unions conference, Essex, York.

Abrline Users' Committee annual report.

CSI West Midlands Regional Council meets.

"Overseas Investment in Wales", a one-day conference organised by Development Corporation for Wales, Royal Hotel, Cardiff, 10 a.m.

Sir Robin Giffert, Lord Mayor of London, attends Cuders' Company Board's Head Feast, Cutlers' Hall, E.C.3.

PARLIAMENTARY BUSINESS

House of Commons: National Insurance Surcharge Bill, committee and remaining stages. Debate on effect of 1944 Education Act on House of Lords Tameside ruling.

House of Lords: Debate on Royal Commission on standards of conduct in public life.

Committees: Expenditure Committee, Trade and Industry sub-committee on fishing industry. At 4 p.m., Planning Procedures.

Nationalised Industries Committee. Sub-committee C on Horserace Totalisator Board. Sub-committee B on British Steel Corporation.

COMPANY RESULTS

GEC (half-year). Hanson Trust (full year). Pilkington Brothers (half-year).

COMPANY MEETINGS

Balby (Ben) Construction, Doncaster, 12. Cope Allman International, Dorchester Hotel, W. 11. Eleco, Hoddeston, Herts, 12. Goodwith (R), (Engineers), Brackington, Derbyshire, 2.30. Guildhall Property, Winchester House, E.C. 12. North Atlantic Securities, Bucklebury House, E.C. 2.45. Spencer Gears, 10, Belgrave Square, S.W. 12.

This announcement is published solely for information.

November 24, 1976

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Sutro & Co.	
Burton-J. Vincent, Chesley & Co.	Wheat, First Securities, Inc.







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## Standard Chartered Bank Limited

### INTERIM STATEMENT

Consolidated Profit and Loss Account (Unaudited)	Six months ended 30th September 1976	Six months ended 30th September 1975	Year ended 31st March 1976
	\$000	\$000	\$000
Trading Profit of Standard Chartered Bank Limited and its subsidiaries (Note 1)	41,716	43,949	86,087
Share of profits of Associated Companies	5,953	2,885	7,184
Profit before taxation and extraordinary items	47,669	46,734	93,271
Taxation: (Note 2)			
The Bank & its subsidiaries	20,509	20,903	43,394
Associated Companies	2,375	1,333	2,588
Profit after Taxation	24,785	24,498	46,309
Minority Interests	3,102	3,373	8,158
Extraordinary Items less taxation and minority interests (Note 5)	21,683	21,125	38,151
Profit attributable to Standard Chartered Bank Ltd.	22,450	21,125	34,463
Dividend	4,538	4,056	10,276
Profit Retained	17,912	17,069	24,187
Earnings per share (Note 6)	31.4p	34.6p	82.5p
Dividend per share (Gross equivalent)	7.00p	6.75p	15.75p
	(10.77p)	(10.38p)	(24.23p)

Notes:

- The trading profit of the Bank and its subsidiaries, together with the remaining items making up profit attributable to Standard Chartered Bank Limited, are not wholly comparable with those of the previous periods as a result of a change in the Group's interest in Standard Bank Nigeria Limited. This interest has been reduced from 51% to 40% following a sale of part of the Group's shareholding in that bank and it has been dealt with as an associated company from 1st April 1976.
- The participation by the Group in a rights issue made by Standard Bank Investment Corporation Limited (SBIC) in August 1976 was less in proportion than that of minority shareholders. In consequence the Group's equity interest in SBIC has been reduced from 70.25% to 67.44%. The effect on Group profits has been dealt with on a time apportionment basis.
- Accounting policies and bases of consolidation employed are consistent with those for the year ended 31st March 1976. Profits in foreign currency have been translated into sterling at exchange rates ruling at the end of the relevant accounting periods. A non-trading surplus arising on revaluation of overseas net assets as a result of sterling depreciation has been credited direct to reserves.
- Provision has been made for taxation at the latest known rates including United Kingdom Corporation Tax at 52%.
- The net surplus under Extraordinary Items arises from: (a) disposals of and dilution of interests in subsidiaries; (b) acquisition of minority interests in subsidiaries; (c) sales of premises and trade investments.
- Earnings per share are based upon profits after taxation and minority interests but before extraordinary items, and on the issued share capital of 69,110,340 shares. The earnings per share for the previous periods are based on 61,077,510 shares being the weighted average number of shares in issue during the year ended 31st March 1976, adjusted for the discount in the price of the rights issue in March 1976.

The Board of Directors has resolved to pay an interim dividend in respect of the year to 31st March 1977 of 7p per share (equivalent to 10.77p per share gross), to shareholders registered at close of business on 31st December 1976. The dividend will be paid on 31st January 1977.

Joint Secretaries.

### Dividend Notice



### International Systems and Controls Corporation

The quarterly dividend of 6 1/2c per share of ISC Common Stock will be paid on December 15, 1976 to the stockholders of record on November 30, 1976.

W.D. Frank, Secretary  
2727 Allen Parkway  
Houston, Texas 77019

ISC is engaged in engineering, manufacturing, trading and financial operations worldwide. ISC's principal markets are in the development of energy, agricultural and forest resources, grain, food, chemical, petrochemical and pulp processing.

## Ranks Hovis profit nears £40m.

GROUP PROFIT, before tax, of Ranks Hovis McDougall for the 53 weeks to September 4, 1976, was £39.52m, an increase of £13.72m compared with the 52 weeks of the previous year. External sales were up by £128m, to £221m.

When reporting first-half profit up from £18.22m to £19.97m, the directors stated that the group might be trading at lower profits in the second half in some sectors, but they expected a considerable improvement in the year's results.

As to the current year they report that trading results to date are ahead of last year but because of the particularly uncertain economic conditions in the country and the problems facing the bread industry it would be imprudent at this stage to make a forecast for the year. It is hoped to be able to give some indication of the outlook at the AGM on January 27.

Earnings per 25p share for the past year increased from 4.8p to 6.2p. A final dividend of 1.74p is the net total of 2.67p up to 2.44p.

	1975-76	1974-75
Total sales	1,050,000	920,000
Sales within group	123,000	145,000
External sales	927,000	775,000
Trading profit	65,000	31,745
Rationalisation costs	12,728	3,089
Depreciation	12,728	11,426
Net interest paid	6,672	11,224
Investment income	774	1,852
Share of profits	1,980	2,132
Profit before tax	39,520	21,125
U.K. tax	9,083	1,852
Overseas tax	1,676	2,716
Deferred tax	7,827	9,329
Associated companies	283	291
Tax credits	330	428
Total tax	26,599	15,816
Net profit	12,921	5,309
Extraordinary credits	642	601
Minorities	389	13,139
Minority interest	1,000	1,000
Provision for taxation	1,000	1,000
Ordinary	8,007	2,777
Retained	8,535	1,639
53 weeks, after £1,137,000 (1980,000) double tax relief.		

Rationalisation costs are shown separately and not treated as an extraordinary item. Prof. tax includes stock relief. Prof. tax figures have been adjusted for comparison.

All trading divisions contributed to improvement in the results other than agriculture where profits were similar to those of last year. Bakery profits improved in the second half, the directors state.

The results of Wessex Finance, the motor hire business, also improved. The company was following a planned curtailment of funds made available to the business in view of the general economic situation. The improvement in overall results was helped by a reduction in interest charges which occurred mainly in the first half, the directors add.

Statement Page 21  
See Lex

### Scottish Tools wound up

Scottish Tools of Kilmarnock which has a remaining workforce of 20, has been put into voluntary liquidation at meetings of shareholders and creditors. One of the subsidiaries, Precision Metal Fabrication (Glasgow), which closed down last year, involved a loss of £50,000. Being subcontractors, the company suffered a shortage of work in the trade recession and was unable to secure higher prices to offset inflation.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for purposes of considering dividends. Official indications are not available whether dividends concerned are intended to be paid and the shareholders to bank and the shareholders to bank and the shareholders to bank.

**TO-DAY**  
Laurier-Armistice Securities, Brahm  
Sillar, Convery Securities, Clifton  
Investments, Frederick Cooper, Dorling  
Stamping, English Card Clothing, General  
Electric, LHC International, London and  
Liverpool Trust, M. and G. Second Deal  
Trust, Pilkington - Bros., Progressive  
Securities, Investment Trust, Russell Bros.  
Fiduciary, Vienna, Garner, Vaux  
Industrial, Warrford Investments, J. W.  
Wassall.

**FUTURE DATES**  
Cawoods Dec. 14  
Great Universal Stores Dec. 14  
Moore's Investment Dec. 14  
Sterling Industries Dec. 15  
Stern's Printing Dec. 15  
Culzean Dec. 16  
Ward Group Dec. 16  
Weston-Edwards Dec. 16  
Weston-Edwards Dec. 16

**TO-DAY**  
Laurier-Armistice Securities, Brahm  
Sillar, Convery Securities, Clifton  
Investments, Frederick Cooper, Dorling  
Stamping, English Card Clothing, General  
Electric, LHC International, London and  
Liverpool Trust, M. and G. Second Deal  
Trust, Pilkington - Bros., Progressive  
Securities, Investment Trust, Russell Bros.  
Fiduciary, Vienna, Garner, Vaux  
Industrial, Warrford Investments, J. W.  
Wassall.

Of the total liabilities of £95,000, tax, national insurance and VAT, accounted for more than £50,000. One or two parties had shown an interest in acquiring the River-River (Liquidator) suggested that for accountability purposes ordinary creditors should write down the book debt to not more than 50p in the pound.

### Sharp fall at Chapman (Balham)

ON SALES down from £3.1m to £3.04m, pre-tax profit of envelope, etc. manufacturers, Chapman and Company (Balham), fell sharply from £970,767 to £163,738 in the half ending September 4, 1976.

Operating in a contracting market the company was unable to recover additional costs in its price structure. Consequently profit margins were severely reduced.

The most recent performance of the pound together with the low level of industrial activity in the U.K. suggests that no early improvement can be expected, the directors state.

An unchanged interim dividend of 1.475p net per 50p share is declared. Last year's total was 3.924p from profits of £1.1m.

	1976	1975
Sales	1,000,000	3,000,000
Trading profit	100,000	300,000
Interest receivable	10,000	10,000
Interest payable	10,000	10,000
Pre-tax profit	100,000	300,000
Taxation	10,000	30,000

### CHURCHBURY ESTATES

Pre-tax profit of Churchbury Estates rose from £88,941 to £128,954 in the half year to September 30, 1976. Profit for

## EMI expects further progress

SIR JOHN READ, the chairman of EMI, told a well-attended annual meeting yesterday that it was still expected that the group would show further progress in the current year. Last year annual pre-tax profits amounted to a peak £58.3m, compared with £35m in the previous 12 months.

Sir John dealt at some length with the controversy surrounding the pop group "Sex Pistols" which signed a £40,000 two-year contract with EMI last October. He described a television inter-

view, in which members of the group used four letter words, as "disgraceful". Reading from a prepared statement, Sir John said that there was no excuse for the aggressive behaviour of members of the group. Shareholders were told: "Sex Pistols is the only 'punk rock' group that EMI Records currently has under direct recording contract and whether EMI does in fact release any more of their records will have to be very carefully considered."

In response to a question, Sir John said it was a possibility that the contract with the Sex Pistols could be terminated but stressed that the recording company's experience of working with the group had been satisfactory.

Shareholders at the meeting voted in favour of a change in the Articles of EMI to enable the borrowing limits to be increased. Under the old limit was the withdrawal of £16.9m. It was proposed that the formula of one and a half times the aggregate of share capital, and share premium account, and in addition the revenue and reserves be adopted in line with more usual practice, thus raising the borrowing limit to £265.3m. However, following representa-

the last full year was £180,088. The interim dividend is raised from 1.45p to 1.50p per 25p share—last year's final was 2.318p. After tax for the six months of £61,577 (£55,240) the net balance comes through at £65,077 (£52,801).

### Stonehill looks to second half

TURNOVER OF furniture manufacturers, Stonehill Holdings, increased from £1.4m for 30 weeks to £1.5m for 32 weeks to November 14, 1976, while pre-tax profit was down from £87,000 to £67,000.

If the present level of activity continued and margins are reasonably maintained, profit for the year ought not to be greatly different from last year's record of £1,327,000. In this case the total dividend for the year will be maintained at 8p per 25p Ordinary share, the directors state. An unchanged interim of 3p is declared.

Earnings per share for the six months were 7.71p (8.21p). 32 weeks 33 weeks 33 weeks

	1976	1975	1974-75
Trading profit	751	643	1,162
Depreciation	129	129	129
Pre-tax profit	622	514	1,033
Tax	324	357	357
Net profit	298	157	676
Dividends	128	128	278
Retained	170	329	398

Turnover increased in real terms but margins were reduced due to the workings of the Price Commission. This year the company has faced large increases in the cost of raw materials caused partly by the weakness of sterling, the directors state.

However, the order book remains healthy and the new ranges will help maintain a high volume of output.

The current cash situation remains very satisfactory and there are still no borrowings.

### comment

The major profits rise expected at Stonehill has not materialised in spite of increased production capacity. On a turnover rise of 16 per cent, the profits have dropped by 7.2p cent. The balance sheet is put squarely on the Price Commission and Stonehill reckons that profits would have been at the £1m mark were it not for the prices check. However, the short-fall could be made up in the rest of the year after two price rises totalling 10 per cent—which should cover the increase in imported costs. There is also a similar price application being processed. Meanwhile, the expanded factory is on 85 per cent. capacity and the U.S. export drive is developing slowly. The main debt with the shares at 87p on a 104 per cent yield is a possible effect of some cut-back in public expenditure. Already, the proportion of disposable incomes spent on home furniture has been falling for each of the past three years.

With a £1m cash, Stonehill may be stronger than most to face the future, but the overall trend is not likely to be encouraging.

## E. Bates accounts delayed

By Margaret Reid

Edward Bates and Sons Holdings, the troubled merchant banking group whose future is still being discussed with the Bank of England and others, is postponing the completion of its accounts for the year to March 31, 1976, and proposes to adjourn its annual meeting from December 28.

Shares of the group were suspended from quotation on the Stock Exchange on May 13, and the Bank of England stepped in, along with First Arabian Corporation, a minority shareholder, with a standby loan facility to protect the depositors. Deposits were some £27m, more than half placed by Arab lenders.

At the same time City accountants Price Waterhouse were asked to advise and suggest on Bates, whose banking subsidiary is an authorised bank, and their report was later completed.

The Bank of England, which said in March that it was in talks with First Arabian—a company with Saudi Arabian shareholders which holds 25 per cent. in Bates—and a number of other Arab interests has been trying for months to work out a solution to Bates' problems. It is believed that the Bank, which is specially interested because the group includes an authorised bank, not only wants to get First Arabian to give further backing but aims to bring an established Middle East bank into the situation as well.

Latest indications are that some progress is being made but that nothing has as yet been decided.

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With a £1m cash, Stonehill may be stronger than most to face the future, but the overall trend is not likely to be encouraging.

### J. Williams advances in second half

After being down from \$325,000 to \$251,000 at the interim stage, pre-tax profit of John Williams of Cardiff expanded from £705,680 to £743,589 in the year to September 30, 1976.

The final dividend is fixed at 1.30p net (1.175p) per 25p share, making the total a maximum permitted 197p (1.7875p).

The comparative profit figure for 1974-75 is higher than reported last December because of provision for loss in respect of the Ghent Steel Center was no longer required following the sale of the investment at cost.

Mr. Harold Williams, the chairman, states that all three arms of the company—steel service centres, foundry and architectural products, traded profitably, and net current assets, assets employed and earnings per share were all higher.

	1976	1975
Sales	1,000,000	3,000,000
Interest	10,000	10,000
Pre-tax profit	743,589	705,680
Tax	261	261
Dividends	99	99

### Transatlantic Market Trust

Income for the six months to September 3, 1976, of Transatlantic Market Trust increased from £302,464 to £380,289, subject to expenditure of £370,902 (£219,701).

Net income, before Jersey, income tax was £208,387 (£253,763). After tax of £42,780 (£16,553), net income was £165,607 (£267,210).

For the year to March 11, 1976, net income, before tax, was £245,186.

## Hargreaves Group half-year results show broad advance in profit

- Group pre-tax profit increased by 48% to £1,825,000.
- Group profit after tax at £870,000 rose by 41%.
- 27% increase in Group Turnover to £7,872,000.
- Interim Dividend increased by 2½ following rights issue last June, 1.16 pence per share, payable on 27th January, 1977.
- Retained earnings increased by £564,000.

### Summary of Results

	Half-Years to 30th September 1976	1975	31st
	£'000	£'000	
Profit before taxation	1,825	1,232	
Profit after taxation	870	617	
Earnings per share	3.6p	2.7p	
Group Turnover	57,872	45,573	10

Hargreaves Group, Bowcliffe Hall, Bramham, Wetherby, W. Yorkshire. Commercial vehicle distribution; plant contracting and waste disposal; office treatment; fertilisers; fuel oil and solid insurance; quarrying; transport, shipping and warehousing.

## \$50,000,000 Société Financière pour les Télécommunications et l'Electronique S.A.

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In accordance with the terms of the Guaranteed Floating Rate Notes 1984 issued by Société Financière pour les Télécommunications et l'Electronique S.A. and issued by STET - Società Finanziaria Telefonica Azionaria the rate of interest for the interest period 7th December, 1976 to 8th June, 1977, has been 8%.

## FINANCE FOR INDUSTRY LTD. Six months unaudited consolidated results

	6 months to September 30 1976	6 months to September 30 1975	6 months to September 30 1974
	\$000	\$000	\$000
Group income before interest and provisions	35,744 (1)	26,131	60,757
Interest on borrowings	26,820	20,303	44,202
Provisions	4,705	2,610	9,083
	31,525	22,913	53,285
Profit before tax	4,219	3,218	7,472
Estimated tax	2,531 (2)	558	2,920
Profit after tax	1,688	2,660	4,552
Minority interest	23	98	243
Attributable net profit	1,665	2,562	4,309

### NOTES:

- After charging a special contribution to staff pension fund of \$1,000,000.
- Estimated tax includes £700,000 in respect of prior years.
- The principal subsidiaries of Finance for Industry Ltd. are Industrial and Commercial Finance Corporation Ltd. (ICFC) and Finance Corporation for Industry Ltd. (FCIL).

### Outlook at Titagur

The mills of Titagur Jute Factory Company have so far been able to continue in operation but only at a very heavy cost, says Sir John Brown, chairman.

Stocks since June have continued to rise and until they are liquidated or at least substantially reduced it is impossible to look favourably on prospects, he adds.

In the U.K., the year has started reasonably well and Sir John says he looks forward with a reasonable amount of confidence to satisfactory results.

The 1976-77 jute crop promises to be ample for requirements both in India and other jute producing countries and there is unlikely to be any difficulty regarding the adequacy of raw material supplies even if all mills are able to return to capacity working.

As already reported, pre-tax loss for the year to June 30, 1976, fell from £12.45 to £7.65, a 38% reduction.

Although the first half-year's results showed only a modest loss on the Indian operations, this was mainly due to the carry forward of what proved to be an over-provision for depreciation on tract losses at June 1975, without which that loss would have been more severe. Trading conditions in the second half of the year gave no respite with the result that the loss on the Indian operations for the year as a whole amounted to £887,127.

In contrast, operations in the U.K. continued to be profitable although certain departments experienced difficult trading conditions.

With the group companies which operate in India but whose

accounts are maintained in sterling having had fairly substantial net current liabilities there at July 1, 1976, the revaluation of the rate of exchange ruling at June 30, 1976, resulted in a considerable loss, which has been met by a transfer from capital reserves.

As from July 1, management and control of the Samangur and Victoria subsidiaries have been transferred to Calcutta.

Thomas Duff and Co. (India) holds 33.5 per cent. of the Ordinary stock and 15.9 per cent. of the Preference. Meeting, Dundee, on December 13, at noon.

### Chairman's statement Page 20

### Castings makes headway

Malleable ironfounders, Castings reports that from turnover up from £1.44m to £1.72m, taxable profits rose from £158,679 to £172,555 in the six months to September 30, 1976.

The net interim dividend per 10p share is effectively held at 0.375p. Last year's total was equivalent to 1.625p.

Tax for the first half takes £30,000 (£31,000) leaving the net balance at £282,555 (£274,579).

### CONS. GOLD

Consolidated Gold Fields has brought through the market for consolidated 1976-77 ordinary shares, Unsecured Loan Stock 1969/2004 and £278,325 of 81 per cent. Unsecured Loan Stock



# Quebec plans control of asbestos

# 'W' Ribbons more than doubles its pre-tax profits

## JFB profit will show material increase

**Bank Bridge  
profit  
£278,000**

# What to expect from leading U.S. government securities firm

**Joint venture in Tehran—Iran Financial Services Co.**







## NIL FINANCIAL AND COMPANY NEWS

Austrian motor industry  
in two new car ventures

BY PAUL LENDVAI

MAJOR projects involving Austrian partners are likely to gain a new impulse to the Austrian motor industry. The first of these is a joint venture between the Austrian Steyr-Daimler-Puch company and the German Daimler-Benz, producing a joint car to be expected towards the end of this year. The new company would have a paid-up capital of Sch.140m. (about \$5m.), put up in equal proportion by the two partners. Production should begin towards the end of 1977, with an initial target of 10,000 cross-country vehicles per annum. Initial investment costs are put at Sch.500m. The vehicle would be primarily manufactured in the Steyr at Graz.

VIENNA, December 7.

Steyr and the German concern signed in 1973 a basic agreement on preparing the production of a cross-country vehicle. It has now been announced that the preparations have reached the stage at which the setting up of a joint company can be expected towards the end of this year. The new company would have a paid-up capital of Sch.140m. (about \$5m.), put up in equal proportion by the two partners. Production should begin towards the end of 1977, with an initial target of 10,000 cross-country vehicles per annum. Initial investment costs are put at Sch.500m. The vehicle would be primarily manufactured in the Steyr at Graz.

Electrobel  
sees better  
first half

BRUSSELS, Dec. 7.

COMPAGNIE GENERALE d'Entreprises Electriques et Industrielles S.A. (Electrobel) expects profits in the six months to end-December to be slightly up on the comparable period last year, but is more concerned about the second half of the financial year ending June 30 next, chairman Yves Boel told Reuters after the annual meeting.

He said if the Belgian economy remains flat the group will probably see higher profits for the year as a whole, but noted that the industry is once again in a trough. M. Boel said that the group could have paid a slightly higher dividend for 1975/76 if there had not been a dividend freeze.

He declined to comment on dividend prospects for the current year.

Figures released during the meeting show that the group's portfolio investments and holdings in other companies were worth Bfrs.4.40bn. or \$4.9 per cent. more than book value, at December 3. This compares with Bfrs.9.12bn. or plus \$2.3 per cent. at June 30 this year and Bfrs.8.89bn. (plus \$2.41 per cent.) at June 30, 1975.

In year ended June 30, 1976, Electrobel made a net profit of Bfrs.715.1m. (724.2m.) and is paying a net dividend of 400 francs a share (same).

AGIP awarded  
oil concession

By Paul Betts

ROME, Dec. 7.

AGIP, the oil subsidiary of the State-controlled ENI groups, has been awarded an offshore exploration concession north-west of Sinal by the Egyptian General petroleum agency, the company said today.

The agreement, which is on a production-sharing basis, has been welcomed by the Italian authorities as a sign of greater commercial and industrial co-operation between the two countries.

VW and MAN set  
their sales target

BY GUY HAWTIN

FRANKFURT, Dec. 7.

VWAG and Maschinenfabrik Augsburg Nuernberg for the market in 1977 is 46,000. VW hope to sell an annual average of their planned six to the figure. Despite the fact that their prices are well above those of Detroit top line products, the Mercedes marque remains highly popular. North America accounts for some 12 per cent. of Daimler-Benz motor-car sales. However, will absorb about 20,000 units in this class. Both of the plants will manufacture complete eight-cylinder engine class and sets for the new range, but no less than 67 per cent. of the site of the assembly plant group's sales in the eight-cylinder sports car class—a fascinating statistic in view of the U.S. blanket speed limit of 55 mph. Some 60 per cent. of Daimler-Benz deliveries to the North American market are "small models" such as the 230, 280E, 240D and 300D. Demand for diesel models alone accounts for half of total American sales.

## Deere counts cost

DEERE and Co. said the United Auto Workers strike at its U.S. farm and industrial equipment plants resulted in lower earnings for the fourth quarter, ended October 31, and will reduce the total production originally scheduled for the fiscal first quarter 1977, reports Reuters from Illinois. The strike was settled on November 9.

## IAB BANKING

## Big ambitions at BAI

BY HENRY SCOTT STOKES IN PARIS

COMPETITION between Arab banking institutions in Paris is as intense as in the daily increasing Arab international finance is still almost entirely Arab institutions. Arab institutions investment companies—such as the Middle East oil producers' he surplus funds generated in the Middle East oil producers' made available in the Euroket, but the picture is evolving.

the investment banking the Banque Arabe Internationale d'Investissement (BAI) is staking its claim. The force behind this bank, which is a 50:50 Arab-European consortium bank in structure, a holding company in Lebanon, is Roger Azar, a 40-year-old Lebanese director of

## Eurobond market

it claims that BAI is "the big Arab international investment bank." His assertion is on the bank's performance in the Eurobond market, in this year, it has managed to place issues to the value of \$850m.—as against \$1.1bn. in the whole of last year, and by the Eurobond market claim is a solid one. In Arab issuing houses have a much smaller share of a expanded business, gaining 11.5 per cent. of the

house, chose BAI to co-manage BAI has hired several bond a \$500m. part of the mammoth traders from a French bank, \$1.3bn. maiden issue of the EEC Interunion, and it will back up an expansion of secondary market trading by a "dramatic rise in portfolio management."

The bank will seek more issue business, especially co-managements. "In the first three years of the bank's life," according to Patrick Lathrop, an American director, "it was policy to respect existing client relationships." But BAI will now tackle borrowers directly, short-circuiting European banks "who have hitherto not shown enough interest in the of its earnings back into the Arab world and failed to bring us enough business." Secondly, profits in 1975 of only \$1m. the bank will step up real estate development in the Middle East. Luxembourg through its holding company.

The question, as more Arab institutions come into being, is whether BAI can maintain its position as "the leading Arab international investment bank." Much must depend on its future plans.

With assets at end-September of \$800m., up by 40 per cent. this year, it is liquid. Its funds are under-utilised at present, BAI New York, where it has bought 10 per cent. of a leading broker with a strong underwriting department, Reynolds Securities. Azar is especially keen on this last move. "You cannot service the Middle East," he says, "without a base in New York where the great bulk of Arab surplus funds are now flowing."

The BAI director has just been in New York. And one of his aims has been to increase the bank's share in Reynolds. "It is turning itself into a multi-service investment bank," according to Azar, "and it has itself just bought Baker Weeks, a top research service in New York."

These actions point to the extent to which competition is increasing between Arab financial institutions in Europe, notably those based in Paris (which attracts Arab banks for political reasons, though the arguments for settling in London are stronger on purely business grounds).

## UBAF's role

The top Arab commercial bank in this part of the world is the Union de Banques Arabes et Françaises (UBAF). UBAF also, has set up a branch in New York, and this year opened its own bank there, in association with leading U.S. institutions.

As a commercial bank UBAF, with world-wide group assets of well over \$3bn., is far bigger than BAI. It has also, as has an institution with larger funds, been more active than BAI in the syndicated loans market, where the latter bank is placed second to UBAF among Arab concerns.

With BAI making such progress in the Eurobond market, meanwhile, there are signs of restiveness at UBAF. "We too, have our ambitions in the field of investment banking," stated a director there.

Thus—and with new organisations coming into existence in the Middle East, such as the Abu Dhabi investment authority—the world of Arab banking is in vigorous motion. The more players the "better," says Azar, meaning by this Arab players. Nonetheless, the competition will be tougher.

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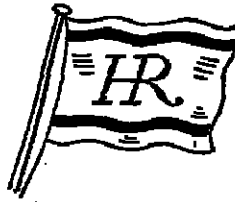
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December, 1976

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Arnhold and S. Bleichroeder, Inc. Basle Securities Corporation Bear, Stearns &amp; Co.

L. F. Rothschild &amp; Co. Shearson Hayden Stone Inc. Shields Model Roland Securities

UBS-DB Corporation Weeden &amp; Co. Alex. Brown &amp; Sons Daiwa Securities America Inc.

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Nomura Securities International, Inc. R.W. Pressprich &amp; Co. Scandinavian Securities Corporation

Stuart Brothers Thomson &amp; McKinnon Auchincloss Kohlmeier Inc.

Spencer Trask &amp; Co. Tucker, Anthony &amp; R.L. Day, Inc.

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December, 1976



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New Issues / December, 1976

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\$250,000,000 Ten Year Notes of 1976, due December 1, 1986

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\$250,000,000 Twenty-Five Year Bonds of 1976, due December 1, 2001

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Morgan Stanley &amp; Co.

The First Boston Corporation

Goldman, Sachs &amp; Co.

Merrill Lynch, Pierce, Fenner &amp; Smith

Bache Halsey Stuart Inc.

Blyth Eastman Dillon &amp; Co.

Dillon, Read &amp; Co. Inc.

Donaldson, Lufkin &amp; Jenrette

Drexel Burnham &amp; Co.

Hornblower &amp; Weeks-Hemphill, Noyes

E. F. Hutton &amp; Company Inc.

Kidder, Peabody &amp; Co.

Kuhn, Loeb &amp; Co.

Lazard Frères &amp; Co.

Lehman Brothers

Loeb, Rhoades &amp; Co.

Paine, Webber, Jackson &amp; Curtis

Reynolds Securities Inc.

Smith Barney, Harris Upham &amp; Co.

Warburg Paribas Becker Inc.

Wertheim &amp; Co., Inc.

White, Weld &amp; Co.

Dean Witter &amp; Co.

Bear, Stearns &amp; Co.

Discount Corporation of New York

Aubrey G. Lanston &amp; Co., Inc.

L. F. Rothschild &amp; Co.

Shearson Hayden Stone Inc.

Shields Model Roland Securities

Weeden &amp; Co.

ABD Securities Corporation

Basile Securities Corporation

EuroPartners Securities Corporation

Robert Fleming

Kleinwort, Benson

Scandinavian Securities Corporation

SoGen-Swiss International Corporation

UBS-DB Corporation

Daiwa Securities America Inc.

The Nikko Securities Co.

Nomura Securities International, Inc.

Yamaichi International (America), Inc.

Ultrafin International Corporation

New Japan Securities International Inc.

## No escape from \$1,000b oil investment outlay

BY PETER CARTWRIGHT

NO ESCAPE lay ahead from the burden of staggering investment outlays to secure more oil over the next decade—about \$1,000bn.—Dr. Leslie Peacock, vice-chairman of Texas Commerce Bancshares, said in Birmingham yesterday.

Those who do not believe this are indulging in some form of fantasising, he told a conference sponsored by the Financial Times on Oil in Deeper Waters. The conference is being held in conjunction with the Petroleum Times, the Society for Underwater Technology, the Institute of Petroleum and Ocean Energy, at the same time as an exhibition at the National Exhibition Centre.

Dr. Peacock recalled that an investment of less than \$100 per barrel had been required in East Texas. To-day, there, in the Gulf of Mexico and the North Sea, something like \$15,000 per barrel of oil produced was needed.

That was a very different economic proposition to costs of about \$400 a barrel in the Middle East. In view of these cost increases, the \$1,000bn. of new investment outlays required over the next decade did not look so extraordinarily large. It seems on the conservative side.

Of the total, some \$480bn. would be needed to find new resources, with a similar amount necessary for transport, processing and marketing.

### Important

Whether the amount needed would be forthcoming would depend heavily on whether national policies recognised the importance of preserving incentives to invest, and through the allowance of adequate profits, the capacity to invest. Historically, petroleum companies had generated internally 70-80 per cent of capital requirements.

If they are to do so over the next 10 years, Dr. Peacock forecast, they will have to have available something like \$750bn. from internally generated cash earnings, as well as the continuing incentive to invest in petroleum and related fields.

But world-wide trends were operating against such prosperity. In the U.S., for example, "great violence" was being done to the climate for investment by petroleum corporations, in the form of threats of divestiture, punitive tax actions and arbitrary and arbitrary controls that held energy prices below their economic levels.

Outside the U.S., Governments grew increasingly acquisitive in the terms imposed on concession agreements, thereby cutting into corporate profits and reducing the attractiveness of exploration. The price of oil, which was rising at a stupendous rate.

There was a point along the scale of incentives at which a country's citizens reasonably

might object that the nation's resources were being given away.

There was another point at which not enough was done. His U.S. colleagues had expressed concern that perhaps the balance was tipped too far in the direction of narrower national ambition.

That would probably not serve the longer range objectives of maximum increased production.

A new and challenging phase

Mr. David Steel, chairman of British Petroleum, said the oil industry believe as much oil was waiting to be discovered as had already been found. About 20 per cent might be below the North Sea and other West European waters.

It was considered that there was negligible oil at extreme ocean depths and this represented a significant change of view.

The industry was approaching exploration in deeper waters more cautiously than two or three years ago. However, there was no doubt that oil would be found at depths of more than 600 feet and as drilling had already extended to 3,840 feet, costs would be high.

### Burden

"I don't believe that beyond the Continental Shelf will be a cornucopia," Mr. Steel declared. "Only large discoveries will prove economically viable."

As the industry moved into deeper waters, licences must have a longer tenure and the burden on those undertaking the first drilling must be lightened.

Dr. Dickson Maben, Minister of State, Energy, reminded his audience that the U.K. was already producing 1.8 million tonnes of oil a year. Next year we would be getting 3.5m-4.5m. tonnes, between a third and a half of what the Sea offshore market, already more than half the total of 11.85m, should further expand through production, equipment for the vast investment in rigs, platforms and associated equipment, despite a slackening in ordering.

Dr. Maben disclosed that further discussions would be held and production.

### APPOINTMENTS

## C. Laidlaw takes over at BP Oil

Mr. Christopher Laidlaw is to become chairman of BP Oil from January 1 in place of Mr. David Steel, who is leaving the Board at the end of this year. At the same time, Mr. Alan Gregory will join the Board. Mr. Steel is chairman of the British Petroleum Company. Mr. Laidlaw is a managing director of the British Petroleum Company, a director of BP Oil, and was a director of Shell-Mex and BP for 12 years prior to the demerger and its chairman in 1974. Mr. Gregory is a director of BP Trading.

Mr. Maurice Hadden-Grant has been appointed to the OCCUPATIONAL PENSIONS BOARD. He is secretary of Tesco's Company.

Mr. R. J. Kimber, Mr. J. R. Scott and Mr. R. Thornton-Jones have been appointed to the Board of HAWKER SIDDELEY POWER ENGINEERING.

Mr. H. Ambrose has been appointed a director of BLAND PAYNE (AVIATION). Mr. G. A. Clarke, Mr. M. Cowie, Mr. B. J. He is joined on the Board by Mr. G. Reelf, who has become executive directors and Mr. J. Crew and Mr. P. James, assistant directors.

Mr. Geoffrey Edwards, general manager of the LIVERPOOL DAILY POST AND ECHO, is to resign next March to take up a post in the newspaper industry in the U.S. From March 1, the general manager of the group's daily newspapers will be Mr. Ian Hamilton, Mr. C. F. Cullinane is to become assistant general manager at the same time.

Mr. Charles R. Myring has been appointed U.K. sales director of PARKER-DYES AND CHEMICALS. He was previously with Bayer (U.K.).

Mr. John R. Brook has been appointed managing director of the Board of PIMM'S ASSOCIATED FISHERIES AND FOODS, a subsidiary of Associated Fisheries.

Mr. K. B. Willis, a manager of the EQUITY ASSURANCE SOCIETY, has been appointed a director of the company.

Mr. Peter Hughes has been appointed director of the COPE ALLMAN IN Stuttgart, West Germany, a TIONAL group.

## London Clearing Bank's balances

at November 17, 1976

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business

of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures

produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of County, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

	Total outstanding	Change on month		Total outstanding	Change on month
	£m.	£m.		£m.	£m.
<b>LIABILITIES</b>			<b>Assets</b>		
Sterling deposits:			Cash and balances with Bank of England	1,036	- 63
U.K. banking system	2,872	- 339	Market loans:		
Other U.K. residents	24,292	+ 178	U.K. banks and discount market	8,581	- 365
Overseas residents	1,870	+ 9	Other	8,293	+ 312
Certificates of deposit	1,730	+ 39	Bills	1,722	- 41
of which: Sight	30,564	- 133	Special deposits with Bank of England	1,189	+ 263
Time (inc. CD's)	11,294	- 14	Investments:		
Foreign currency deposits:			British Government stocks	1,338	+ 28
U.K. banking system	3,225	+ 53	Other	985	+ 5
Other U.K. residents	897	+ 55	Advances:		
Overseas residents	9,165	+ 182	U.K. private sector	15,306	+ 71
Certificates of deposit	1,167	- 39	U.K. public sector	298	- 40
			Overseas residents	2,132	+ 21
<b>TOTAL LIABILITIES</b>	<b>51,978</b>	<b>+ 149</b>	Other sterling assets	17,647	+ 43
<b>ASSETS</b>			Foreign currencies	4,395	- 95
Cash and balances with Bank of England	1,036	- 63	Market loans:		
Market loans:			U.K. banks and discount market	2,683	- 71
U.K. banks	1,191	+ 13	Certificates of deposit	5,777	+ 261
Certificates of deposit	4,507	- 37	Other	8,804	+ 190
Local authorities	836	- 17	Advances:		
Other	327	- 19	U.K. private sector	1,848	+ 25
			U.K. public sector	1,096	+ 21
			Overseas residents	2,682	- 8
			Other foreign currency assets	5,636	+ 34
			<b>TOTAL ASSETS</b>	<b>51,978</b>	<b>+ 149</b>
			Acceptances	284	- 1

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	Outstanding on month		Outstanding on month		Outstanding on month		Outstanding on month		Outstanding on month		Outstanding on month	
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
<b>LIABILITIES</b>												
Total deposits .....	45,018	+ 73	12,239	+ 224	8,498	- 348	8,954	+ 188	13,826	+ 13	1,651	- 1
<b>ASSETS</b>												
Cash and balances with Bank of England .....	1,036	- 63	330	- 9	133	- 49	238	+ 12	284	- 14	21	- 3
Market loans:												
U.K. banks and discount market	8,581	- 365	1,809	- 302	2,030	- 141	1,650	+ 130	2,759	- 36	333	- 16
Other	8,293	+ 312	2,207	+ 136	1,578	+ 63	1,419	+ 100	2,578	+ 25	312	- 12
Bills	1,722	- 41	702	+ 251	271	- 170	216	- 154	453	- 15	80	+ 37
Special deposits with Bank of England .....	1,189	+ 263	360	+ 81	183	+ 33	234	+ 49	365	+ 91	36	+ 9
British Government stocks .....	1,838	+ 28	456	+ 15	522	+ 1	325	- 1	511	+ 10	24	+ 3
Advances	23,283	+ 81	6,895	+ 81	3,647	- 33	4,950	+ 23	7,067	+ 12	924	- 2

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	20,446	+ 394	6,505	+ 179	2,017	- 16	4,540	+ 514	5,719	+ 29	665	- 22
Eligible liabilities												
Reserve assets	2,759	+ 30	882	+ 21	402	- 13	607	+ 34	777	- 14	81	+ 2
Reserve ratio (%)	13.5	- 0.1	13.6	-	13.3	- 0.4	13.4	+ 0.2	13.6	- 0.2	13.7	+ 0.2

## Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1—Banks

	Nov. 17, 1976	Change on month
	£m.	£m.
<b>Eligible liabilities</b>		
U.K. banks		
London clearing banks	20,579	+ 389
Scottish clearing banks	2,239	+ 46
Northern Ireland banks	642	+ 20
Accepting houses	1,718	- 6
Other	5,905	- 15
Overseas banks		
American banks	3,627	+ 102
Japanese banks	352	- 16
Other overseas banks	2,024	+ 107
Consortium banks	164	+ 5
<b>Total eligible liabilities*</b>	<b>37,246</b>	<b>+ 633</b>

Reserve assets

	Nov. 17, 1976	Change on month
	£m.	£m.
<b>U.K. banks</b>		
London clearing banks	2,777	+ 30
Scottish clearing banks	298	- 3
Northern Ireland banks	91	- 6
Accepting houses	274	+ 10
Other	827	- 131
Overseas banks		
American banks	503	+ 4
Japanese banks	50	- 1
Other overseas banks	330	+ 19
Consortium banks	41	- 7
<b>Total reserve assets</b>	<b>5,190</b>	<b>- 86</b>

Ratios %

	Nov. 17, 1976	Change on month
	%	%
<b>U.K. banks</b>		
London clearing banks	13.5	- 0.1
Scottish clearing banks	13.3	- 0.4
Northern Ireland banks	14.2	- 0.4
Accepting houses	16.0	+ 0.5
Other	14.0	- 2.2
Overseas banks		
American banks	13.9	- 0.3
Japanese banks	14.2	+ 0.4
Other overseas banks	16.3	+ 0.1
Consortium banks	25.3	- 4.8
<b>Combined ratio</b>	<b>13.9</b>	<b>- 0.5</b>

Constitution of total reserve assets

	Nov. 17, 1976	Change on month
	£m.	£m.
Balances with Bank of England	320	- 61
Money at call	1,972	+ 184
Discount market	184	+ 1
Other	—	—
Tax reserve certificates	—	—
U.K. Northern Ireland Treasury Bills	1,547	- 178
Other bills:		
Local authority	106	- 19
Commercial	639	+ 16
British Government stocks with one year or less to final maturity	522	- 30
Other	—	—
<b>Total reserve assets</b>	<b>5,190</b>	<b>- 86</b>

N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to

	Nov. 17, 1976	Change on month
	£m.	£m.
Finance houses	363	+ 4
Eligible liabilities	320	+ 19
Reserve assets	35.2	+ 1.5
Ratio (%)	11.0	- 0.2

Special deposits at November 17 were £1,701m. (up £592m.) for banks and £15m. (up £2m.) for finance houses. \*Interest-bearing eligible liabilities were £26,077m. (up £840m.).







# "The Midland Group gives us a feeling of confidence, of knowing we'll get the support we need"

-Ted Williams, Chairman, Arnold E. Williams & Sons Ltd.

The story of Arnold E. Williams tells how a small family company has produced an internationally-successful brand, Falstaff silver-plated tableware, with support, advice and guidance from Midland Bank Group.

Managing Director John Williams says: "After the war we were trying to find gaps in the export market for our silver-plated giftware. The bank helped us in two ways: a simple overdraft facility, £25,000-£50,000, when we needed to build-up stocks, but mainly with advice in all aspects of exporting, an entirely new venture for us."

Ted Williams, his brother and company chairman, agrees: "Suddenly to find your major customers are in Los Angeles or New York is a major departure for a small firm like ours. There were questions like credit ratings for our new overseas customers."

## "Improved our cash-flow"

The Williams brothers rely today on Midland Bank International Division for valuable advice—and not only in handling foreign currency and documentation.



Each half of the hinged lid on a Falstaff claret jug is identically numbered to ensure a perfect match.

Says John: "They've actually improved our cash-flow by suggesting we discount our bills through the ECGD."

"Our export sales team travels nine months of the year, selling Falstaff abroad. Midland helps us find gaps, they start us off with contacts in new markets."

"We're also glad they introduced us to Thomas Cook, whose business travel service we now use."

"In fact, the way the Midland's International branch manager takes an interest in our comparatively small company is very impressive."

## "Forward Trust has given us the best deals"

The Midland helped, too, when the Williams brothers decided to create their own retail distribution network for Falstaff at home.

Says Ted Williams: "We had been producing to order

for a few wholesale customers, but now we had many hundreds of retail customers who all expected us to hold stocks."

Says brother John: "We needed more financial help than ever, not only for stocking-up but for plant as well."

Medium-term loans for new plant came from Forward Trust, the instalment finance company in Midland Bank Group.

"Forward Trust are still helping us enormously to this day," says Ted Williams. "They're top of our list in the money markets. They've always given us the best deals."

## "Turn-over up ten times"

New machinery is at the heart of the growth of the Falstaff brand. In 1972, Midland Bank helped



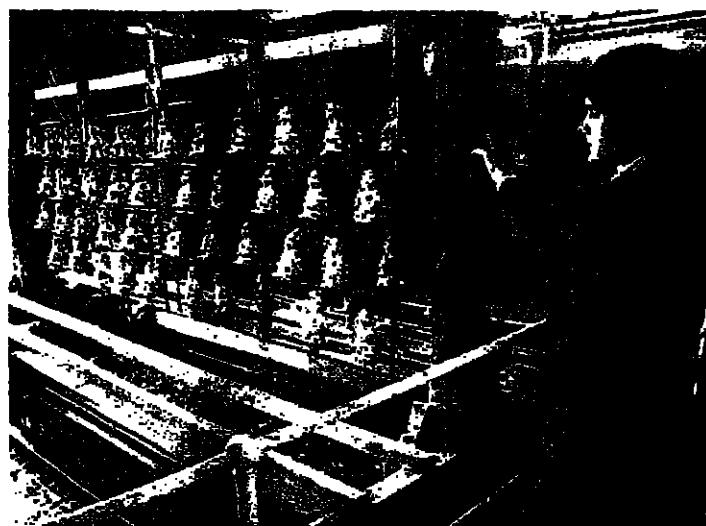
Ted Williams, Chairman (right), and his brother John Williams, Managing Director (left).



The solderer adjusts his flame



Falstaff silver-plated money-boxes in quality control.



Falstaff products about to plunge into one of the biggest automated silver-plating plants in Europe.

finance a fully-automated silver-plating plant. More recently it's been a new press, then an automatic polishing plant.

"As soon as we amortize the cost of one or two," says John, "we've got three more coming in."

"Our turn-over has multiplied ten times in the last ten years."

## "Help in the future"

The company's account has been at the same Birmingham branch of Midland Bank since 1919—

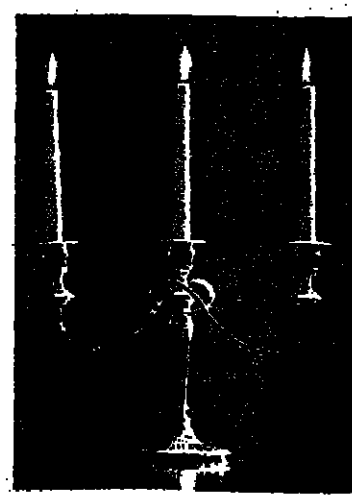
both brothers have personal accounts at the Midland, too—and they know the Midland will be there when it comes to help in the future.

"We have built our relationship with the Midland over the years. This is important when a small family firm starts to grow. With Midland Bank Group there's a feeling of mutual confidence—of knowing we'll get the support we need."

The companies that make up Midland Bank Group can help your company in many different ways. Their services include facilities for term loans, leasing, hire-purchase, merchant banking, equity capital for growth companies, international insurance broking and

advisory services, international and export finance, travel, factoring, investment management, and trust services. Also, very large companies, Midland Corporate Finance Division has a select team that can work directly with the company to make the best possible use of the wide range of Group services.

Talk to your local Midland manager—he can put you in touch with all the right people.



Three-arm candelabra from the Falstaff "Candlelight" series.



# Midland Bank Group

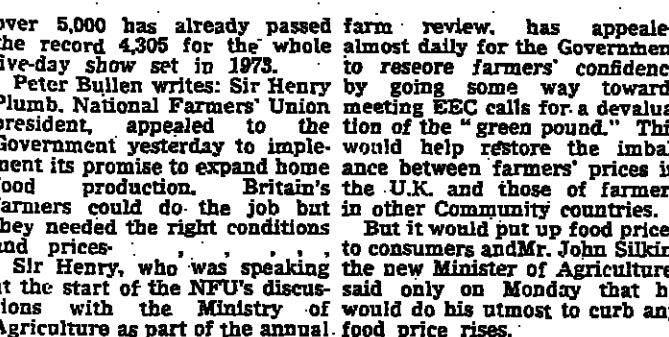
**Principal trading companies:** Midland Bank Limited, Clydesdale Bank Limited, Clydesdale Bank Finance Corporation Limited, Clydesdale Bank Insurance Services Limited, Scottish Computer Services Limited, Northern Limited, Northern Bank Development Corporation Limited, Northern Bank Executor and Trustee Company Limited, Northern Bank Finance Corporation Limited, Northern Bank Trust Corporation Limited, Midland Bank Company Limited, Midland Bank Group Unit Trust Managers Limited, Midland Bank Finance Corporation Limited, Forward Trust Limited, Midland Montagu Leasing Limited, Griffin Factors Limited, Midland Bank Trust Corporation (Jersey) Limited, Midland Bank Trust Corporation (Guernsey) Limited, Midland Bank Insurance Services Limited, The Thomas Cook Group Limited, Thomas Cook Limited, Thomas Cook Overseas Limited, Thomas Cook Bankers Limited, Samuel Montagu & Co. Limited (Incorporating Drayton), Drayton Montagu Portfolio Management Limited, Guyerzeller Zumont Bank AG, Midland Montagu Industrial Finance Limited, Jersey International Bank Commerce Limited, Bland Payne Holdings Limited, Bland Payne Limited, Bland Payne Reinsurance Brokers Limited, Bland Payne (UK) Limited, Southern Marine & Aviation Underwriters Inc, Bland Payne Australia Limited, London American Finance Corporation Limited, British Overseas Engineering & Credit Company Limited, Drake (UK) International Limited, Drake America Corporation, Export Credit Corporation.



# Smithfield championship won by small farmer

WASHINGTON, Dec. 7. RICHARD BELL, the U.S. assistant agriculture secretary, headed a delegation of officials going to Moscow next week for consultations with Soviet officials as called for under the new U.S.-USSR grain supply agreement, Agriculture Department officials said.

riever view that this year's harvest could surpass the record 74 cotton harvest of 8.4m. tons. Good results in the Uzbek and Turkmen republics, which between them account for 80 per cent of Soviet cotton production, were a source of early optimism about this year's harvest. The Communist Party newspaper Pravda announced re-



over 5,000 has already passed the record 4,305 for the whole five-day show set in 1973.

Peter Bulbin writes: Sir Henry Plumb, National Farmers' Union president, appealed to the members yesterday to implement its product expansion and food production. Britain's farmers could do the job but they needed the right conditions and prices.

Sir Henry, who was speaking at the state of the NFA conference, said the Ministry of Agriculture as part of the annual farm review, had appealed almost daily to the Government to reassert farmers' confidence by going some way towards meeting EEC calls for a devaluation of the "green pound." This would help restore the imbalance between the price of food in the U.K. and those of farmers in other Community countries.

But it would put up food prices to consumers and Mr. John Silkin, the new Minister of Agriculture, said on Monday that he would do his utmost to curb and reduce food prices.

adzhikistan, and Azerbaijan have been plagued with rain and snow which damages the cotton crop and interferes with the increasingly mechanised harvesting process.

Until last year the Soviet Union had been enjoying a five-year streak of successive record cotton harvests, the result of mechanisation, the wider use of

farm review, has appealed almost daily for the Government to restore farmers' confidence by going some way towards meeting EEC calls for a devaluation of the 'green pound.' This would help restore the imbalance between farmers' prices in the U.K. and those of farmers in other Community countries.

But it would put up food prices to consumers and Mr. John Silkin, the new Minister of Agriculture, said only on Monday that he would do his utmost to curb and food price rises.

**THAI RICE SALE**  
BANGKOK, Dec. 7.  
A Thai trade team leaves tomorrow for Jakarta to negotiate the sale of 200,000 tonnes of Thai white rice to Indonesia for shipment next year on a Government-to-Government basis, Trade Ministry sources said.  
Reuter

steady but the firmer pound pushed cash copper wirebars (in £750 75 a tonne, down £2.25 and cash standard (in in £4.935 a tonne, down £2.5 on the day. Lead and zinc were also affected but still closed higher on balance. Cash lead ended £1 higher at £275 a tonne and cash zinc £7 higher at £377.5 a tonne.

Rubber was also affected by the sterling rise and the BSE No. 1 spot quotation on the London physical market ended the day 15p lower at 54.5p a

which would leave 7m. tonnes exportable surplus.

In Tokyo, meanwhile the Japan Ammonium Sulphate Manufacturers Association announced that China has agreed to buy 500,000 tonnes of ammonium sulphate and 200,000 tonnes of urea from Japan in the first half of 1977.

teuter

## Five new U.S.

the sludge to soak up the moisture and bring it down from 40 per cent. to 45 per cent. It is much easier and cheaper to pass this mixture through a high-temperature blow drier to bring it down to 7 per cent. moisture.

**futures contr**

The Chicago Board of Trade had applied for a contract in 1907 to issue 15-year Treasury Bonds. The commission had received an

The Rubber Research Institute is also been working on this. Its research results seem to favour ponding — biological methods—as the most suitable

**acts planned**

CHICAGO, Dec. 7.  
Application for a contract in  
both rough and milled rice from  
new exchange being organised  
New Orleans, a zinc contract  
from the Commodity Exchange  
New York and a platinum con-  
tract application from the  
Chicago Mercantile Exchange  
reuter

**GARY SEEVERS**, a member of the Commodity Futures Trading Commission (CFTC), said the Commission welcomed applications from commodity exchanges for new commodity future contracts.

He told the international com-

The Chicago Board of Trade had applied for a contract in 1907 to issue 15-year Treasury Bonds. The commission had received an

of 99.8 per cent. purity delivered N.Y.  
lots per 50-lb bushel in store 17 Cents  
56-lb bushel ex-warehouse, 5.000  
lots, c Cents per 24-lb bushel.  
lots per 48-lb bushel ex-warehouse,  
bushel lots, d Cents per 56-lb bushel,  
reference, 1,000 bushel lots



## STOCK EXCHANGE REPORT

Fresh gains accompanied by modest rise in turnover  
Share index up 9.7 at 319.8—Gilts eventfulAccount Dealing Dates  
Option

\*First Declared Last Account  
Dealings Date Dealings Day  
Nov. 29 Dec. 9 Dec. 21  
Dec. 12 Dec. 30 Dec. 31 Jan. 12  
Jan. 4 Jan. 13 Jan. 14 Jan. 25

\*New time dealings may take place  
from 9.30 a.m. two business days earlier.

Although the level of activity in stock markets again fell much to be desired, a modest rise in turnover accompanied a fresh advance in equities yesterday. Official markings of 4,650 compared with 3,826 on Monday and 4,183 a week ago. Interest in the gilt-edged sector switched to the short end of the market, where a good demand was seen for the short tap stock. Gains in this area ranged to 1.5, modest gains were also recorded in the medium and long-dated issues, without alteration, the main event here being the announcement of a new tap stock, Treasury 13½ per cent, 1988-91, at 107.5. The official indication that the authorities will see to it that the Treasury 13½ per cent, 1988-91, will be issued at 107.5, making a rise of 18.5 over the past three trading days.

Overall, sentiment was helped by the strong hint from Mr. Robert Sheldon, Financial Secretary, that the Government would not be increasing the immediate future interest. Rises led by the 10½ per cent, 1988-91, and the 11½ per cent, 1988-91, while the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## New long "tap"

A sequence of events, sometimes surprising and sometimes not, left British funds on an irregular note following the afternoon's business yesterday. A good initial demand was evident in the Government broker twice raising his price for supplies of the special Treasury 13½ per cent, 1988-91, to be issued at 107.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

In a continuing thin trade, the investment currency premium drifted lower to close 11 points down at 117½ per cent, following the late improvement in sterling. The late improvement in sterling was due to a replacement long "tap" issue. The terms of this "tap" issue, the Treasury 13½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## Discounts good

Discounts featured a firm banking sector yesterday when demand, which continued after market hours, helped bring about double-figure gains in places. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## EMI advance

EMI featured Electricals with a rise of 11 to 218½ following the chairman's remarks at the annual meeting. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## Reaction in BP

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## MONEY MARKET

The money market saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## Signal on interest charges

The Bank of England's minimum lending rate of 12½ per cent, (since November 19, 1976) was maintained. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## BANK OF ENGLAND

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## LONDON MONEY MARKET

The London money market saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## FIXED INTEREST

The fixed interest market saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## COMMODITY GROUPS

The commodity groups saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## OVERSEAS TRADERS

The overseas traders saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## INSURANCE

The insurance market saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## RATES

The rates market saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

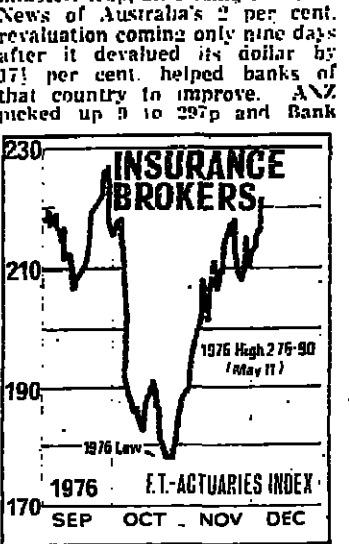
## CORAL INDEX

The Coral Index saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## CLOSING

The closing market saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## Insurance Brokers



1976 I.T. ACTUARIES INDEX

of New South Wales rose 10 to 435½. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## EMI advance

EMI featured Electricals with a rise of 11 to 218½ following the chairman's remarks at the annual meeting. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## Reaction in BP

A fall in American and British buying interest signalled a reaction in BP. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## ACTIVE STOCKS

The table lists active stocks with their closing prices and changes. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

## NEW HIGHS AND LOWS FOR 1976

The following securities reached their highest and lowest prices during 1976. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

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## MONEY MARKET

The money market saw a signal on interest charges. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5. The 10½ per cent, 1988-91, was down 1.5, the 11½ per cent, 1988-91, was down 1.5, and the 13½ per cent, 1988-91, was down 1.5.

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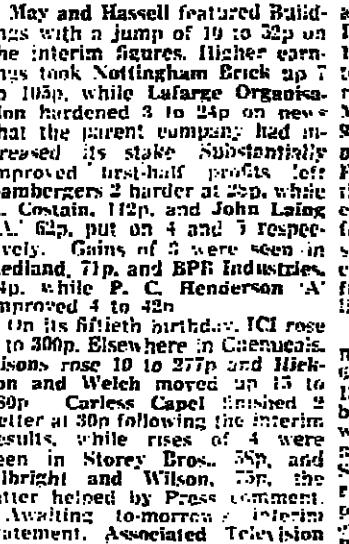
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## INSURANCE, PROPERTY, BONDS

[illegible]

**APOLLO**  
 Edited by Denis Sutton  
 the world's leading magazine of  
**Arts and Antiques**

## CONTRACTS AND TENDERS

Democratic and Popular Republic of Algeria

MINISTRY OF INDUSTRY AND ENERGY  
SOCIETE NATIONALE DES EAUX  
MINERALES ALGERIENNES  
SN-EMA

INTERNATIONAL INVITATION TO  
TENDER NO. DC/MB/10/76

An international invitation to tender, following a tender which will start as from March 1977, has been issued for the supply of:

- 1st lot: 9,100 tons of malt
- 2nd lot: 3,100 tons of coarsely ground maize
- 3rd lot: 80 tons of hop

the brewing of beers for the year 1977.

Tenderers, CIF Algerian ports, together with the samples, must be addressed to the Directeur Général (General Director) S.N.-C.M.A. (addressed above), in double sealed envelopes, registered post, the inside envelope bearing the notation "SOUMISSION POUR A.O.L. NO. DG/M5/10/78-176-PAS OUVRIR" - "TENDER FOR A.O.L. NO. DG/M5/10/78-176-NOT TO BE OPENED," but later than 31st December, 1976, the postmark being taken as evidence of the date of posting.

Tenderers remain bound by their quotations for a period of 120 days.

## ART GALLERIES

[illegible]

on THE COMPLETE SCULPTURE  
GAS. Weekdays 10-5, SAT  
11-3. 30, Bruton Street, London

[illegible]

## OFFSHORE AND OVERSEAS FUNDS

<b>Anthrop Securities (C.I.) Limited</b> P.O. Box 2012, Hamilton, Bahamas Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29	<b>Delta Group</b> P.O. Box 2012, Nassau, Bahamas Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29	<b>Hambro Pacific Fund Mgmt. Ltd.</b> 2110, Connaught Centre, Hong Kong Fixed/Fld. Nov. 77 1.50% 1.75% Next dealing day Dec. 29	<b>Kleinwort Benson Limited</b> 20, Fenchurch St., W7C 3JF, London, U.K. Current Inv. 45.5 39.4 4.5 Next dealing day Dec. 15	<b>Old Court Commodity Fd. Mgrs. Ltd.</b> P.O. Box 24, St. Julian's, G. Cay. 15% Cash 100% 100% Next dealing day Dec. 15	<b>TSE Unit Trust Managers (C.I.) Ltd.</b> Isabelle Rd., St. Vincent, Guyana 15% Cash 100% 100% Next dealing day Dec. 15
<b>Australian Selection Fund NV</b> Barings Commodities, c/o John Young & Co., 120, St. Vincent, Guyana Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29	<b>Barings Selection Fund NV</b> Barings Commodities, c/o John Young & Co., 120, St. Vincent, Guyana Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29	<b>Banque Paribas Lambert</b> 2, Rue de la Republique 80, 1000 Brussels Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29	<b>Banque Paribas Lambert</b> 2, Rue de la Republique 80, 1000 Brussels Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29	<b>Banque Paribas Lambert</b> 2, Rue de la Republique 80, 1000 Brussels Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29	<b>Banque Paribas Lambert</b> 2, Rue de la Republique 80, 1000 Brussels Deposits: 100% 7.75% 2.50% Next dealing day Dec. 29
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**DRIVERS JONAS**  
Chartered Surveyors  
London - Aberdeen - Milan

# FT SHARE INFORMATION SERVICE

HOTELS - Continued

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## INDUSTRIALS (Misc.)

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## FOOD, GROCERIES, ETC.

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## ENGINEERING - Continued

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## ENGINEERING, MACHINE TOOLS

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
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100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## DRAPERY AND STORES - Continued

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## CINEMAS, THEATRES AND TV

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## BUILDING INDUSTRY - Continued

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## DRAPERY AND STORES

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## CANADIANS

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## BUILDING INDUSTRY, TIMBER AND ROADS

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## \*\*BRITISH FUNDS

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

## COMMONWEALTH & AFRICAN FUNDS

High	Low	Stock	Price	Yield
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0
100	98	Doyle Hotel	77	10.0

Conversion factor 0.7141 (0.7170)

سكنا من الامل







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# FINANCIAL TIMES

Wednesday December 8 1976

**FACTORIES  
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PHONE Fairview 01-368

## Heath under attack from Tory MPs

BY RICHARD EVANS, LOBBY EDITOR

MR. EDWARD HEATH'S rebellious declaration that he would not support the shadow Cabinet's total opposition to the Government's Scotland and Wales Bill drew angry criticism from anti-devolution Conservative MPs yesterday.

A newly-set-up group of around 30 backbench opponents of the Government's devolution proposals are to protest collectively and individually to Mrs Thatcher, the Conservative leader, about any move to rebel against the three-line Whip decided by the shadow Cabinet for the Bill's second reading on Thursday.

**Potential**  
Mr. Heath's decision not to oppose the Bill was being interpreted at Westminster as a rallying call to other Tory MPs who were considering defying the shadow Cabinet decision.

Mr. Alec Buchanan-Smith, the pro-devolution shadow Scottish Secretary, is still considering his position following warnings from the Opposition Whips that he could hardly expect to remain in the shadow Cabinet if he failed to oppose the Government's Bill.

His position, and that of five other pro-devolutionist front-bench Tories, is certain to be discussed at to-night's meeting of the shadow Cabinet when pressure will be brought on Mr. Buchanan-Smith to speak against the Government Bill or resign.

It is impossible to estimate the scale of any Tory rebellion at the end of next week's four-day debate. Potentially there are up to 30 MPs who might be prepared to abstain against the three-line Whip and a few who could vote against the Bill.

But the Tory Whips will be very active in the next week to contain the revolt by applying various pressures and the final numbers might be considerably reduced.

Encouragement for Mrs Thatcher and the shadow Cabinet came from the anti-devolutionist Unionist group of backbenchers who offered "strong support" for the decision to have an all-out campaign against the legislation on the grounds that it was too bureaucratic and would begin

## Sports Council offers £2.5m.

THE SPORTS Council has offered a £2.5m. grant towards the £5m. estimated cost of a new national indoor athletics and cycling stadium at Sandwell in the West Midlands.

Sandwell, which is bidding to hold the 1986 Commonwealth Games, provides an ideal location for a major sports centre. The Sports Council said yesterday. It should be completed in 1982.

Facilities will include a 200-metre, four-lane athletics track, and a 250-metre cycle track. Within the two tracks will be an arena with a 60-metre sprint track and space for indoor field events.

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Standard Chartered is making an agreed offer to acquire the whole capital of Wallace Brothers (Holdings) whose total assets at the end of July 1975 were £128m. for a deferred cash consideration of not more than £1m. The sum payable will be related to net worth and be calculated in 1982.

The Crown Agents, which has already written off more than £100m. through its involvement in the secondary banking crisis, has a 27 per cent stake in Wallace Brothers, a private company, in which certain members of the Wallace family hold at least 33 per cent.

**Indemnities**  
The principal shareholders in Wallace Brothers, with 65 per cent of the shares between them, have agreed to the takeover and have given indemnities to protect Standard Chartered as to the net worth position of the Wallace group.

Mr. Graham said last night that the acquisition was a matter of "taking steps to forestall lack of confidence." He did not know of any run on deposits in Wallace, which at the end of July 1975 had deposits of £78m. In 1974-75, Wallace had a pre-tax loss of £2m. The property problems had developed more recently causing the position to deteriorate.

The Wallace Brothers group has banking, trading and industrial interests in both Britain and the Far East. Its banking interests comprise Wallace Brothers Bank and deposit-taking companies in Australia and Jersey.

Standard Chartered, in which the Midland Bank has a minority shareholding of 18 per cent, yesterday announced an increase in its own profits before tax and extraordinary items to £47.7m. in the half-year to September, compared with £46.7m. in the previous year.

Of the takeover of Wallace, Mr. Graham added: "We are satisfied that it is in the best interests of all concerned, including shareholders."

## Dutch offer on defence costs

BY MALCOLM RUTHERFORD

BRUSSELS, Dec. 7. THE DUTCH Government is ready to take over some of the foreign exchange element in British defence expenditure in return for a greater British role in maritime reconnaissance.

The broad outline of the Dutch proposals has already been put to Mr. Fred Mulley, the British Defence Secretary, when he visited The Hague last month. They will be presented in much more detail when Mr. Bram Stenderink, the Deputy Dutch Defence Minister, goes to London next week.

The Dutch are initially talking about 750m. guilders (about £180m.). This compares with the foreign exchange costs of maintaining the British Army of the Rhine which are at present about £600m. a year. British efforts to secure compensation for this have so far been directed solely at the West Germans.

The aim, apart from helping Britain, is to further the Dutch objective of saving money by greater specialisation among European countries in defence tasks.

The Dutch plan involves a redefinition of tasks between British and Dutch forces— including British and Dutch forces in Germany—this would be to allow more British defence expenditure to be spent in Britain.

Essentially the Dutch are suggesting that their own present maritime reconnaissance task should be taken over by Britain. This would mean a new fleet of Nimrod anti-submarine warfare patrol aircraft which would be built in Britain and owned and maintained by the British.

In return, the Dutch would release the 750m. guilders they have in their budget for the replacement of their own maritime reconnaissance aircraft for other purposes.

According to high level Dutch sources, this could include a greater Dutch contribution to the defence of the Channel and eastern Atlantic, or a Dutch participation in the costs of keeping British troops in Germany.

## Miki 'has made up his mind to resign'

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, Dec. 7.

MR. TAKEO MIKI has made up his mind to withdraw from the Japanese Premiership, according to one main Japanese newspaper, quoting "sources close to the Prime Minister."

The Yomiuri Shimbun, in its Tuesday evening edition, said that Mr. Miki's mind appeared to have "cleared" on the subject during the past 24 hours. The paper predicted that the Liberal Democratic Party might hold a meeting about December 22 or 23 to formalise Mr. Miki's resignation from presidency of the Party, and choose a new leader.

The Party would then hope to elect its new leader as Prime Minister at a special session of the Diet (Parliament) to be convened a few days later.

Mr. Takeo Fukuda, Mr. Miki's long-time rival and former Deputy Prime Minister, is still being tipped as the most likely successor, though many influential figures in the Liberal Democratic Party are keeping silent on the leadership issue in the aftermath of the LDP's election setback.

Mr. Miki had a meeting on Monday night with Mr. Tsuneko Uchida, Secretary General of the LDP, at which the newspaper probably not try to cling to the Premiership at all cost.

**Important**  
Another important meeting today, was between Mr. Miki and Mr. Masayoshi Ohira, Minister of Finance.

During the 20-minute discussion, Mr. Miki apparently tried to elicit Mr. Ohira's views on the leadership issue. Mr. Ohira's only response seems to have been to point out that Mr. Miki should take responsibility for the election result.

Mr. Ohira leads the third largest faction in the LDP, and has publicly announced his support for Mr. Fukuda as the next Prime Minister and leader of the party.

If the party does select Mr. Fukuda as its new leader, it will still have to secure his election in the Lower House of the Diet.

## Issuing Houses chief new director general of Take-over Panel

BY MARGARET REID

MR. DAVID MACDONALD, a merchant banker who is a director of the Issuing Houses Association, is to succeed Mr. Martin Harris as director general of the City Take-over Panel on April 1 next year.

Mr. Macdonald, who is 40 and has run Hill Samuel's corporate finance side for the past six years, will be the panel's fourth chief executive—its chairman is Lord Shawcross and the third merchant banker to hold the office.

For the past two years he has been chairman of the IHA, headed by Lord Samuel, the Trade Secretary, to adopt that system in preference to any Securities and Exchange Commission.

Mr. Macdonald has been seconded by Hill Samuel for two years for his new task. The present director general, Mr. Harris, the only accountant to have held the job, will have occupied the post for two and a half years when he leaves in April. As a partner in City Accountants Price Waterhouse, he acted as accounting adviser to the panel for five years before that.

Mr. Harris said he had not yet decided on his future role and was still reviewing possibilities.

Continued from Page 1

## Bank lending

been anticipatory demand by big borrowers expecting controls to be imposed. There may also have been some further arbitrage movements among the banks.

At the same time, there has been a continuing demand for loans to finance stocks at rising prices and a rise in lending to the drinks trade may have reflected finance for stocks to meet public demand ahead of expected value added tax rises.

The corset controls operate on the banks' interest-bearing resources, imposing a strict limit on their permitted growth over six months compared with the base level set as the average of the three months August, October. Banks, which go above the limit are subject to penalties in the form of non-interest-bearing special deposits with the Bank on a sliding scale which rapidly becomes very expensive.

While recognising the need to cut back yesterday, however, the banks emphasised that there was still some time in which they could adjust their figures to the new controls. They will receive some relief from the return flow of funds from sterling lending abroad as a result of the new exchange controls preventing its use for third country trade officially estimated to release about £500m.

They hope that they still will be able to meet the needs of priority borrowers in manufacturing industry.

There will be a further Cabinet meeting to-morrow when it is hoped the final list of cuts will be agreed.

It was stressed in Whitehall that the Commons comments on Monday by Mr. Robert Sheldon, a Treasury Minister, apparently adding tax and excise duties, had done no such thing. All options

The Cabinet met for three hours in the morning, and the meeting resumed in the evening in the PM's room at the Commons. It was the seventh meeting in the present series.

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## THE LEX COLUMN

## Markets are told to be patient

Index rose 9.7 to 319.8

U.K. BANKING SECTOR

INTEREST-BEARING ELIGIBLE LIABILITIES (IBELs)

Percentage of total assets

1976

28

27

26

25

24

23

22

21

20

19

18

17

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12

11

10

9

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